

NB: OPTICAL IMAGE LIMITED SOLD

NB: 75% - Owned

Nicholas Hughes

From: JonesCEELAY@aol.com
 Sent: 20 February 2002 01:50
 To: sue.loughnane@kpmg.co.uk; alison.lard@kpmg.co.uk; allen.graham@kpmg.co.uk
 Cc: david@datasec.damon.co.uk; JFCosser@aol.com; Downsby@aol.com;
 mikagibb@eggeconnect.net; nicholash@sprgr.co.uk
 Subject: Re: Just Publishing Ltd/A Newsstand

Dear Sue,

Re: Offer for Just Publishing Ltd

Please accept my apologies for not returning your call after 6pm this evening but, apart from needing to discuss your further notification very late today (a request for personal guarantees) with my colleagues, my mother has just come out of hospital but is still unwell, so I did not return home until 9pm. I could not call from my mobile as your number was withheld.

I have read your further e-mail on my return and note your comments.

However, I am surprised that our proposed revised offer of an additional £25,000, to the sum of £155,000, specifically made this morning to avoid a contracts race, as we discussed, was "still very close" to the other party's offer, and you advised that the extra sum would therefore make no difference. As you will recall, you advised yesterday our offer of £150,000 was also very close to the other party's offer, hence our discussion of an increased offer today.

My colleagues and I were also surprised at the notification of an increase in outstanding royalty payments due on Rugsrats, from the sum of £15K quoted to me yesterday morning, to the sum of £30K as revised in the afternoon (taking into account £5K credit, as also notified).

Further, if we had been successful in our bid, you advised yesterday afternoon that we would be responsible for payment of all employees salaries for the remainder of February, but the administrators would retain all of February's sales revenue. As mentioned, this agreement would mean that we would have effectively been paying all staff for work still to be carried out in the remainder of this month for no revenue; I felt revenue in respect of work from the day of completion to the end of the month should clearly be collected by the new owner, as advised.

We feel that the continual 'moving of the goal posts' on four occasions in the last two days and the subsequent delays caused by our having to reconsider matters and the value of our offer, should not have been necessary at all given that KPMG were instructed two months ago.

Clearly, all important, price sensitive matters, relevant to the bid price, and not mentioned in the sales pack, should have been notified to me yesterday morning, or even on Friday, when I first indicated we would be considering making a bid, and valuable time would not have been lost.

We must question if all of the aforementioned information was made available to the other party before the contract was sent out to them on last Thursday; if so, it must have been known to KPMG and we therefore question why we were not given the same information at the outset, particularly when you were making the timescale for completion so important.

I await to hear from you.

Regards,

Christopher Jones
 for Just Action Group

22-02-02

10:09

From-EVERSHEDS

T-888

P.08/08

R-428

22-FEB-2002 09:08 FROM SPRECHER GRIBER HALBERSTAM TO 921159507111

P.08/08



Just Action Group
Imperial House
21-25 North Street
Bromley
Kent
BR1 1SD

15-05

20 February 2002

Dear Sir

Re: Account 01741446

Please accept this letter as confirmation that the balance of the above No-Notice Money Master Account No 01741446 is £130,460.00 credit (One hundred and thirty thousand, four hundred and sixty pounds only).

Yours faithfully

Elaine Ayling
Customer Services Officer

HSBC Bank plc
184 High Street, Bromley, Kent BR1 1HE
Tel: 08457 404404 Fax: 0181 6210 6179

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The Financial Conduct Authority and FSA
and will trade.



PEAK
Entertainment Ltd

20 February 2002

For the attention of E. J. Shipp, Partner

Sprecher Grier Halberstam LLP,
300 High Holborn,
London EC1

Re: JUST GROUP PLC - OFFER OF FUNDING

Dear Sir,

Following on from our discussions and meetings with Mr Christopher Jones, regarding the above, I now have pleasure in making a final offer of funding, subject to the terms detailed below:


1. We can confirm that subject to contract we will provide funding of up to £2.5 million (two and a half million pounds sterling) to Just Group Plc.
2. This offer is subject to approval of a CVA by the creditors and the Administrators agreeing to be discharged from acting for the Court and/or Just Group PLC, and Jamie Taylor, Senior Partner of Begbies Traynor, or other reputable firm authorised to conduct a Company Voluntary Arrangement (CVA), making a simultaneous application to the High Court to be appointed by the Court in respect of the CVA.
3. This funding is to enable the company to finalise a CVA and to provide working capital pending the refinancing of the Group using either a rights issue or the equity line of credit offered by GEM Global Yield fund Limited. This would be subject to contract with Just Group and precise terms of this funding would be based on normal commercial terms as to interest and security.
4. Peak Entertainment Limited reserves the right to convert the investment into equity on a rights issue or to request repayment of the total sum or part thereof after the successful completion of any rights issue. If the equity conversion is proceeded with the sum can be converted into shares at a price to be agreed.

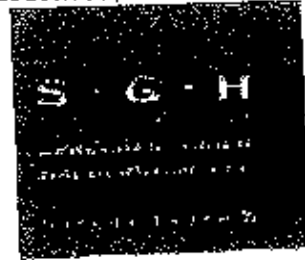
Registered Office:
Holme Hall, Holme Lane, Bakewell, Derbyshire, England DE45 1GF
Tel: 01629 814555 Fax: 01629 813559

Registered in England No. 4325429

5. As a condition of this investment, Peak Entertainment requires that, ultimately, Mr Christopher Jones is appointed as a new board Director of Just Group PLC, to safeguard the investment.
6. This offer is subject to no further disposals or sales, by the Administrators, of any assets or subsidiaries of Just Group PLC, with immediate effect.

Yours sincerely


Wilf Shorrocks
Managing Director



Our ref:SG/NH/T/JMS.3-1
When telephoning please ask for Nicholas Hughes
Your ref:1363/RM/41991

Messrs Eversheds
DX 10031 - Nottingham

Layers Please
300 High Holborn
London WC1V 7JH

On 0241 1036
Tel 020 7541 5555
Fax 020 7541 5566
E-mail info@sgnh.com

21 February 2002

Dear Sirs
Just Group Plc (In Administration)

Thank you for your letter of 7 February 2002.

We understand that our client continues to be in direct contact with your clients concerning the disposal of the assets of Just Group Plc and possible alternatives to the break-up of the Group. Our client believes these alternatives will be more beneficial to creditors than a break up and forced sale of parts of the Just Group.

CVA

Our client has secured an offer of funding to support a proposal for a CVA.

We enclose a copy of an offer of funding letter from Peak Entertainments Limited ("Peak") to ourselves dated 21 February 2002. Peak is an investment company controlled by the former managing director of Just Group, Will Shorrocks.

We are instructed that Peak or their solicitors, Mills & Reeve has already supplied directly to your clients evidence that the necessary funds are available to it. Peak is prepared to make available funding of £2.5million to support a CVA.

JAG has contacted a large number of the Group's largest trade creditors and a significant proportion of them are prepared to support a CVA in view of the prospect of a dividend resulting from the introduction of new monies. It is proposed that the creditors should be offered the chance to exchange some of their debt for equity in the Group. Mr Newcombe stated in paragraph 60 of his witness statement in support of your clients appointment that he believed that the Group's larger creditors would support a CVA if they were offered equity in exchange for their debt. Our Client believes that he expressed this view in part as a result of enquiries of creditors undertaken by the former Group Purchase Ledger Manager, Mike Stevenson in late 2001. Mr Stevenson has recently contacted a number of these creditors on behalf of JAG and he informs our client that their views are unchanged. Mr Stevenson and JAG will be writing to creditors shortly to canvas their views.

Our client understands that the Administrators present policy is unlikely to produce a dividend for trade creditors. This is primarily because of the terms and complexity

of the agreement between Just Group and Universal relating to the ownership of the rights to the Butt Ugly Martians. We are instructed that this agreement provides that Just Group's interest can only be assigned to another party with the consent of Universal. Indeed you have already conceded in correspondence with us that the nature of this interest means that there are a limited number of potential purchasers. In addition the Administrators have been unable to trace a copy of the contract allegedly signed with Universal in October 2001. If this asset is sold in these circumstances it is unlikely to achieve a price that will reflect its true value to Just Group. The trade creditors therefore will have little to lose by supporting the CVA.

We understand the Group's bankers, Royal Bank of Scotland Plc, have also provisionally agreed that they will support the CVA. Our client's await written confirmation of this.

Our client proposes that the nominee in the CVA proposal should be Jamie Taylor of Begbies Traynor and would urge your client to liaise with Mr Taylor, regarding the preparation of the proposal as soon as possible. It is now clear that there is a realistic opportunity that a CVA would succeed.

Just Publishing Limited ("JPL")

We enclose a copy of an email sent by Christopher Jones of JAG to Sue Loughnane at KPMG on 20 February and a copy of a fax from HSBC Plc to JAG sent earlier today.

On Monday 18 February JAG offered £130,000 to purchase the business of JPL and was given to understand that this offer was very close to an offer made by another party and which the Administrators were seriously considering. In order to avoid a contracts race on Tuesday morning in a telephone conversation with Sue Loughnane, Chris Jones increased JAG's offer to £165,000 subject to contract. We understand that despite this significant increase Sue Loughnane again commented that this offer was "still very close" to the other bidder's offer.

In the course of Monday and Tuesday KPMG telephoned Chris Jones on a number of occasions to advise him of three significant changes to the information disclosed in the sales pack and to request that members of JAG should give personal guarantees in respect of certain liabilities of JPL. Chris Jones of JAG indicated his willingness to give a personal guarantee in this respect.

Chris Jones assured Sue Loughnane that the members of JAG had raised sufficient funds to pay the offer price and that he would shortly supply a letter from JAG's bankers confirming the balance on an account designated for this purpose.

JAG believed that negotiations were continuing until Mr Jones received an email at 7.15pm from KPMG indicating that the Administrators proposed to complete the sale to the alternative bidder later that evening. We understand that the sale of JPL has now been completed please confirm the price paid.

If your clients have sold JPL at a price less than that offered by JAG then in view of the evidence that JAG was willing and able to pay more could you please explain this action and how it has been to the benefit of the creditors.

Our client also believes that the alternative bidder for JPL is the former Chairman of Just Group, Ian Miles. Our client is concerned that your clients appear to prefer to negotiate with and employ Mr Miles notwithstanding that, we understand, there is evidence that his actions both before and after your clients' appointment have not been in the interests of creditors. Specifically we understand that Mr Miles attempted to vary the terms of a contract between Jusco Toys and Hasbro Plc in January allowing Hasbro to approach another toy manufacturer directly. What action has been taken in this respect?

If JPL has been sold and the circumstances are as our client understands them at present then the sale will no doubt be investigated if the liquidators in due course unless the Group goes into a CVA.

Conclusion

In the light of the above please confirm that your clients will postpone the sale of further subsidiaries and assets of Just Group until at least the end of next week, 1 March 2002 and that a further postponement will be considered upon commencement of negotiations between Peak and your clients.

We look forward to hearing from you as soon as possible.

Yours faithfully

S. G. Howe

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NG1 6FZ

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To		Your Reference	ISG/LW/JUS3-1
Company	SGH Solicitors	Our Reference	420/JAY 43699
Fax	020 7544 5565	Page one of	2
From	Chris Radford	Date	25 February 2002

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Dear Sirs

JUST GROUP PLC (IN ADMINISTRATION)

Thank you for your fax of 21 February 2002, which we received on 22 February 2002.

We discussed your fax with you over the telephone on the afternoon of 22 February 2002.

The disposals of the remaining assets of Just Group Plc and its subsidiaries are well progressed and completion of further disposals is imminent.

In the circumstances, our clients have sought from your clients:

1. payment of £30,000 to be made on the morning of 25 February 2002 to cover expenses incurred in the week commencing 25 February 2002;
2. an indemnity from your clients in respect of any loss suffered as a result of not progressing the disposals; and
3. your clients' agreement to a meeting in London on 26 February 2002 commencing between noon and 2 pm, to be attended by among others, one of the Administrators, the Administrators' legal advisers, your clients' representative, your clients' representative's legal adviser, the proposed supervisor of the CVA, the bank's representative, Peak's representative and Gem's representative.

When our Mr Radford and your Mr Hughes spoke on 22 February 2002 our Mr Radford requested that the evidence of the funding (referred to in the third paragraph below the heading "CVA" in your fax of 21 February 2002) be sent by fax. He subsequently telephoned to confirm that our clients have not received any evidence to show that the necessary funds are available. Clearly, the availability of the funding needs to be demonstrated prior to any meeting. Your fax is awaited.



Authorised by the Financial Services Authority.

A list of partners' names and their professional qualifications is available for inspection at the above office. The partners are solicitors or registered foreign lawyers.

If the contents of this fax are incomplete or illegible please contact our Fax Operator on 1 1
0115 950 7000

We note from your fax of 21 February 2002 that Peak Entertainment Limited is controlled by the former managing director of Just Group Plc, Wilf Shorrocks.

In your penultimate paragraph under the heading "Just Publishing Limited" you refer to Ian Miles and evidence that his actions have not been in the interest of creditors. We have asked you to particularise your allegations (both in our fax of 29 January 2002 and in our telephone conversation on 22 February 2002).

Given that you choose not to do this and given the events concerning Wilf Shorrocks' departure from Just Group Plc (which are referred to in David Newcombe's witness statement made in support of the application for an Administration Order in respect of Just Group Plc) it appears that little will be gained at the present time from attempting to analyse the past actions of either Ian Miles or Wilf Shorrocks.

In your fax you refer to contact with Just Group Plc's largest trade creditors. Can you let us know who was contacted and what was said?

The Butt Ugly Martians contractual documentation was in the data room visited by your clients' representative earlier this month. The documentation included a signed copy of the October 2001 agreement.

We understand that Royal Bank of Scotland Plc ("RBS") have not agreed to support a CVA. Our clients are informed by Ian Roberts of RBS that a six page plan has been received. In order to agree support for a CVA, RBS will require proper evidence of funding and financial forecasts. You will be aware of Andersen's comments on the Group's funding requirements.

We are informed by our clients that they have attempted to liaise with Mr Taylor. Our clients' representative, Alison Lord, telephoned Mr Taylor on 18 February 2002. In his absence, she left a message for him to call her. That call has not yet been returned. In addition, our clients' representative, Gilbert Lemon, spoke to Paul Snook.

Given the time at which we are sending this fax and the absence of the information relating to funding we have requested (together with the £30,000) we have to assume that your clients are unable to proceed or not prepared to proceed on the basis set out above.

Given that the disposal programme is well progressed, the cost of continuing to operate the business and the falling value of the Group's assets, it appears that the Administrators will exercise their commercial judgment and continue with the disposal programme.

Yours faithfully

Eversheds



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A list of partners' names and their professional qualifications is available for inspection at the above office. The partners are solicitors or registered foreign lawyers.

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To		Your Reference	ISG/LW/JUS3-1
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Fax	020 7544 5565	Page one of	2
From	Chris Radford	Date	25 February 2002

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Dear Sirs

JUST GROUP PLC (IN ADMINISTRATION)

We write further to our earlier fax.

In this fax we address the comments set out in your fax of 21 February 2002 (received on 22 February 2002) concerning Just Publishing Limited.

Our clients, the Administrators of Just Publishing Limited, have disposed of the assets of that business. The asset sale agreement contains a confidentiality clause. Our clients' response to your comments are therefore restricted by that clause.

Our clients, in exercising their commercial judgment, decided to sell the assets of Just Publishing Limited for a consideration comprising of a cash sum and the assumption of various liabilities of Just Publishing Limited.

When your clients made their offer for Just Publishing Limited our clients had to consider which offer was likely to produce a better realisation of Just Publishing Limited's assets. This involves:

1. Comparing the consideration offered by your clients with the consideration to be provided by the eventual purchaser.
2. Comparing the costs (being time spent by the Administrators' staff and the Administrators' legal representatives) already incurred in connection with the transaction and the additional costs to be incurred in order to complete the transaction, with the costs which would be incurred in the event that the sale to the eventual purchaser be abandoned and a sale to your client be concluded.
3. Considering the respective likelihood of the ultimate purchaser and of your clients ultimately completing the transaction.



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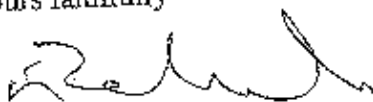
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The Administrators also took into account the due diligence carried out by the eventual purchaser and by your clients.

The confidentiality provisions of the Asset Sale Agreement do not prevent our clients giving details of the transaction to the Court or to the creditors at the meeting of creditors to be held pursuant to Section 23 Insolvency Act 1986. Details of the transaction will be made available to any liquidator that may be appointed.

In the meantime, no admissions are made as to the content of your client's e-mail of 20 February 2002 or as to the various telephone conversations detailed in your fax of 21 February 2002.

Yours faithfully



Eversheds

Shareholder Action Group

From: "Lord, Alison E" <alison.lord@kpmg.co.uk>
 To: "Graham, Allan W" <Allan.Graham@KPMG.co.uk>, "chrisradford@eversheds.com" <chrisradford@eversheds.com>
 Date: 2/25/02 10:50am
 Subject: FW: CVA - KPMG

for info - in our discussion on friday, malcolm said that rbs would not support a cva if they were going to be fully repaid within the administration

-----Original Message-----

From: Dodds, Malcolm [mailto:Malcolm.Dodds@rbs.co.uk]
 Sent: Monday, February 25, 2002 10:27 AM
 To: 'alison.lord@kpmg.co.uk'
 Cc: Shinnars, Henry
 Subject: FW: CVA - KPMG

Alison

Following our telephone conversation on Friday afternoon, I attach a copy of an email that Ian Roberts received from Chris Jones this morning which may or may not clarify the position vis a vis the possibility of a CVA. Have you received any correspondence from the action group's solicitors?

Regards

Malcolm Dodds
 Manager
 Specialised Lending Services
 Royal Bank of Scotland plc
 Telephone 020 7815 4313
 Fax 020 7283 5241
 e mail Malcolm.Dodds@rbs.co.uk

> -----Original Message-----

> From: Roberts, Ian (SLS)
 > Sent: 25 February 2002 09:10
 > To: Shinnars, Henry; Dodds, Malcolm
 > Subject: FW: CVA - KPMG

> Henry / Malcolm

> when I heard on Friday that the Just action group had advised that RBSG
 > had given preliminary agreement to support the CVA I hit the roof. I
 > phoned Jones and told him that a letter must be sent to KPMG clarifying
 > that RBSG has not given any indication of support. All that we have
 > agreed to do is consider any proposal that is put to us. I said to Jones
 > that I was furious at such misleading comments being made and the only
 > time he would be able to confirm any support would be if he had a letter
 > of support from the bank. Given the "plan" that has come forward I cannot
 > see any such letter being sent.

> Perhaps be a good idea to check with KPMG to make sure they have received
 > the letter as noted below.

> Ian

>

Chris Ford - FW: CVA - KPMG

> -----Original Message-----

> From: JonesCEEJAY@aol.com [SMTP:JonesCEEJAY@aol.com]
 > Sent: 25 February 2002 02:51
 > To: Roberts, Ian (SLS)
 > Cc: david@darose.demon.co.uk; graham@grcalderbank.freemove.co.uk;
 > nicholas@sghlaw.com
 > Subject: CVA - KPMG

> *** Warning: This message originates from the internet ***

> Dear Ian,

> Re:JUST GROUP PLC - CVA

> Further to our discussion on Friday afternoon concerning the notification
 > you received from KPMG, or their solicitors. I would advise I instructed
 > our solicitors straight after your call to write to KPMG's solicitors
 > immediately to clarify the position.

> I confirm, for clarification, that I had informed our solicitors that
 > Begbies Traynor (who would oversee the CVA following the Administrators
 > being discharged by the Court) advised us that RBSG are a secured creditor
 > and would therefore not be party to the CVA, as advised to you in our
 > telephone discussion, last Friday.

> It was partly to discuss the possibility of the CVA that I telephoned, as
 > this is so critical to the survival of Just Group. I also requested, as I
 > trust you will recall, whether you felt you would have any objection to
 > the CVA, if it was agreed by the majority of unsecured creditors, to
 > prevent Just Group from going into liquidation. When you replied that, if
 > there was a way of saving a Company from going into liquidation it should
 > be considered, as we were discussing the CVA, I took this as an indication
 > that the Bank may be supportive.

> However, I subsequently made it clear to our solicitors that we had only
 > had a preliminary discussion and that we would need to clarify the matter
 > in writing, and this was conveyed in their letter to KPMG's solicitors.

> I reiterate my apology to you if this matter has caused you any difficulty
 > or embarrassment with the bank and hope you will forgive any
 > misunderstanding caused, which I assure you was certainly not intended.

> Yours sincerely,

> Christopher Jones
 > Vice Chairman
 > Just Action Group

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Our ref: ISG/NH/JT/JUS.3-1
When telephoning please ask for Nicholas Hughes
Your ref: 420/JAY 43552

Messrs Eversheds
DX 10031 - Nottingham

Lincoln House
300 High Holborn
London WC1V 7JH

DX 0041 LDE
Tel: 020 7544 5555
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e-mail: info@sghlaw.com

BY FACSIMILE TRANSMISSION TO:		0115 859 8725
Number of pages:		2
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Telephone	020 7544 5555	+44 20 7544 5555
Fax	020 7544 5565	+44 20 7544 5565
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25 February 2002

Dear Sirs

Just Group Plc (In Administration)
Subject to Contract

We refer to your fax dated 22 February 2002 and our subsequent telephone conversations on the same day.

We acknowledge that our client is yet to supply full details to support the allegations made by JAG concerning the conduct of Mr Miles and the Board of Just Group Plc during the period leading up to the decision to petition for the appointment of Administrators. Our client is not yet in a position to supply a full report to the Administrators but all the information assembled by JAG will be made available to either the Administrators or, if appropriate, the Liquidators of the Group.

CVA

Our client confirms that it is prepared to advance to the Administrators £30,000 immediately on the basis that Just Group is losing money at a rate of £30,000 a week and that in consideration of this loan the Administrators will refrain from disposing of further assets (being any asset other than the subsidiary, Just Publishing Limited) until the close of business on Monday 4 March 2002.

This loan is subject to confirmation that Abbey Home Entertainment Limited and Marshalls Direct Limited have not been sold.

The advance will be a loan to Just Group plc (in administration) and will be treated as subordinated to all debts of Just Group's to existing creditors as at today.

Our client is **not** prepared to give an indemnity to your clients in respect of any reduction in the prices they achieve on realisation of assets as a result of the

proposed hiatus. You confirmed on the telephone on Friday afternoon that you were not at liberty to disclose the offers which had been received for Marshalls Direct Limited and Abbey Home Entertainment Limited and in the absence of this information our client has no way of knowing the extent of its possible exposure if it gives an indemnity in these terms.

Our client has decided, since we wrote to you on Friday, that the terms upon which Peak Entertainment Limited is prepared to offer new funding to the Group are undesirable. It is our client's view that a CVA is practical and possible without offering creditors an immediate dividend. We believe that in the circumstances the majority of shareholders will support a CVA proposal which provides for a debt for equity swap – a proposal which has already received in principle support from a number of the major creditors.

It is further proposed that Just Group will be provided with working capital in the form of a substantial further subordinated loan from JAG together with a matching loan from a commercial bank. Our client is in serious discussions with a high street clearing bank with knowledge of the business of Just Group and we understand it is giving serious consideration to its proposals.


We understand that your client contacted Just Group's present bank, the Royal Bank of Scotland, following receipt of our fax of the 22 February to query the reference in that letter to RBS supporting the CVA. We would remind you that our letter referred to the provisional agreement of RBS and that this provisional agreement was yet to be committed to writing.

Proposed Meeting

We note that one of the Administrators will be available to meet our client, the proposed nominee and ourselves tomorrow between 12 noon and 2.00 p.m. at KMPG's Salisbury Square offices. We regret that our client is unable to arrange for Mr Taylor of Begbies Traynor to attend a meeting at such short notice. Our client would prefer the proposed meeting to take place at sometime on Wednesday the 27 February.

We would be grateful if you could kindly telephone us as soon as you have taken instructions from your client to confirm whether or not your client will postpone the further break-up of Just Group on the basis of this letter.

Yours faithfully



SPRECHER GRIER HALBERSTAM LLP

1 Royal Standard Place
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NG1 6FZ

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DX 10031 Nottingham
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SGH
Solicitors
DX 0041
LDE

Date 26 February 2002
Your Reference ISG/NH/JT/JUS.3-1
Our Reference 420/saw 43813
Direct Line 0115 859 8704
Email charisadford@eversheds.com

By Fax and DX

Dear Sirs

JUST GROUP PLC - IN ADMINISTRATION

We acknowledge receipt of your fax dated 25 February 2002 which appears to have crossed with our own fax of the same date.

We note your comments regarding Mr Miles. It seems that despite the allegations made by JAG concerning the conduct of Mr Miles and the Board of Just Group Plc there is no evidence readily available to support those allegations. If your clients do obtain such evidence then we would ask that you provide it to us immediately.

CVA

We believe our client set a reasonable and realistic criteria for investigating the possibility of a CVA proposal which is set out in our letter of 25 February 2002 and was provided in reliance of your client's assertion that there would be sufficient funding to support a CVA.

Within our letter of 25 February 2002 we stressed that we have not seen any evidence to show that funds were available and we made it clear that your client would need to demonstrate the availability of funds prior to any meeting.

Your fax fails to shed any further light on matters and, raises far more questions than it answers. For instance:

1. Your client now asserts that it wishes to proceed without the benefit of any funding from Peak Entertainment Limited but fails to set out the detail of any alternative funding. Whilst your client may consider "that a CVA is practical and possible without offering creditors an immediate dividend" we do not believe that the survival of the group is possible without immediate funding.
2. You have suggested that the majority of shareholders will support a CVA proposal providing for a debt equity swap. You have failed to set out the basis of the



proposed debt equity swap or, in fact, any evidence to suggest that the shareholders will support such a proposal.


3. You have again made reference to the support of a number of the "major creditors" however, despite our earlier request you have not produced any information to identify those creditors.
4. JAG is proposing to provide a substantial loan to the Group however, you have not set out the value of such a loan and no evidence has been produced to evidence the ability of JAG to make such a loan.
5. The JAG loan is said to be matched by a loan from a commercial bank. Again, there is no evidence that a commercial bank is willing to provide such a loan to the Group. We assume that any commercial bank would require security for such a loan but this issue has not even been mentioned at this stage.
6. We have not received any written commitment from RBS.
7. Your client has declined to give an indemnity.
8. In light of the foregoing our client is continuing with the disposal program and it is possible that further disposals will be completed within the next 24 hours. The Administrators cannot jeopardise the interests of creditors to consider a CVA when there is no adequate funding to support such a proposal.

Proposed Meeting

We regret that the administrators are not available to meet with your client tomorrow. This is the reason why a meeting was suggested for today. We would also wish to point out that separate meetings are simply not viable and that any meeting must be attended by all parties including your clients representative, your clients legal advisor, the proposed supervisor of the CVA, the Bank's representative and the representatives of any relevant funders.

Yours faithfully

EVERSHEDS



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Just Group PLC
28 February 2002

Just Group plc (in administration)

Disposal of businesses

Allan Graham and Mick McLoughlin, the Joint Administrators of Just Group are pleased to announce that the sale of a number of businesses carried out by the group have been completed since their appointment on 9 January 2002.

The businesses of Marshall Editions Limited, Marshall Developments Limited and Marshall Publishing Limited (all in administration) were sold to The Quax Group, Inc on 7 February 2002. These businesses represented the international co-edition book publishing division of Just Group plc;

The businesses of Just Publishing Limited and Newsstand Publications Limited (both in administration) were sold to Toontastic Publishing Limited on 22 February 2002. These businesses represented the children's magazine publishing division of Just Group plc;

The businesses of Marshall Direct Learning Limited and Abbey Home Entertainment Group Limited (both in administration), certain businesses conducted by Just Entertainment Limited and Just Licensing Limited (both in administration) and the share capital of Ever 1670 Limited were sold today to Ashgarden Limited. The businesses and company sold represented the children's educational publishing division, the video distribution division and all the children's intellectual property still owned and/or exploitable by the group excluding Ugly Martians, Pinky and Perky, and Jellabies/Jellikins.

Enquiries:

Allan Graham - KPMG Corporate Recovery 0116 2566191
KPMG Press Office 0207 694 6344

This information is provided by RNS
The company news service from the London Stock Exchange

back

In the matter of:

Just Group plc
Just Licensing Ltd
Just Group Properties Ltd
Just Publishing Ltd
Just Entertainment Ltd
Newsstand Publications Ltd
Abbey Home Entertainment Group Ltd
Monster Innovations Group Ltd
Mediakey plc
EDI Realisations Ltd (formerly known as Marshall Editions Ltd)
DEV Realisations Ltd (formerly known as Marshall Editions Developments Ltd)
PBL Realisations Ltd (formerly known as Marshall Publishing Ltd)
Marshall Information Ltd
Marshall Direct Learning Ltd
Marshall Media Ltd
eMediakey.com Ltd

and

in the matter of the Insolvency Act 1986

**Statement Prescribed by Rule 2.16
Insolvency Rules 1986 and Report under Section 23 (1)
Of the Insolvency Act 1986**

13 March 2002

KPMG

This report contains 9 pages excluding appendices

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- 1 Introduction
- 2 Statutory information
- 3 Background to the Administration
- 4 Actions taken since appointment
- 5 Sale of the businesses
- 6 The freehold property at Shepherds Bush
- 7 Achieving the Section 8(3) Insolvency Act 1986 purposes
- 8 Directors' Statement of Affairs
- 9 Dividend prospects
- 10 Administrators' costs
- 11 Administrators' proposals

1 Introduction

- 1.1 Following our appointment as Joint Administrators of Just Group plc and its various subsidiaries ("the identified Companies" or "the Group") on 9 January 2002, we submit our proposals to creditors under Section 23(1) of the Insolvency Act 1986.

2 Statutory Information

- 2.1 Statutory information for the companies covered by the Administration Orders is attached as Appendix 1. A Group structure is attached as Appendix 2 highlighting the Group companies not covered by the Administration Orders.

3 Background to the Administration

- 3.1 Just Group plc was a fully integrated media business specialising in the ownership, creation, development, acquisition and exploitation of intellectual property. This was through various forms of media and extended to the production of toy related consumer products.

- 3.2 The business was incorporated in 1987 and expanded rapidly with a full AIM listing being achieved in 1996. The Group's shares were suspended on 31 October 2001 following a delay in issuing audited accounts.

- 3.3 The business historically traded from Bakewell, Derbyshire.

- 3.4 The Group had four key areas of activity, namely:

- Licensing and Entertainment
- Publishing
- Consumer Products
- Audio Visual

- 3.5 The activities were carried out by the identified Companies.

3.6 Licensing and Entertainment

- 3.6.1 This was the traditional core of the Just business.

- 3.6.2 The Group owned rights in certain intellectual property including Butt Ugly Martians, Pinky and Perky, Jellabies/Jellikins and Macdonald's Farm.

- 3.6.3 The Group negotiated the licensing of IPR on a global basis with significant emphasis on the UK and USA territories.

- 3.6.4 The entertainment division sold the rights to television programmes to broadcasters.

3.7 Publishing

- 3.7.1 A division of the Group that co-ordinated the publishing of magazines using:

- In-house IPR
- Third party IPR (e.g. Warner Bros, Nickelodeon and Cartoon Network)

3.7.2 The division has operated from premises in Oldham specialising in the publication of comics under the Just Publishing and Newsstand brands.

3.7.3 The Group expanded the scope of its publishing activities following the acquisition of Mediakey plc ("Mediakey") in December 2000. Mediakey published, amongst other activities:

- Children's and adult reference books under the Marshalls Editions brand, and;
- Character led educational books under the Marshalls Direct Learning brand.

3.7.4 It had been management's aim to achieve synergies and economies of scale following this acquisition. There had, however, been no significant consolidation of the Just Publishing, Newsstand and Mediakey businesses at the time of our appointment.

3.8 Consumer Products

3.8.1 The division managed the sourcing of toys that harness the IPR owned by the Group and third parties.

3.8.2 The management of the sourcing operation was undertaken by Jusco Toys Ltd, a company incorporated in Hong Kong. An Administration Order has not been made over Jusco Toys Ltd.

3.9 Audio Visual

3.9.1 The division managed the reproduction and distribution of Audio Visual products (e.g. audio cassettes, videos and DVDs).

3.9.2 The division was developed following the acquisition of Abbey Home Entertainment Group Ltd in September 1999 and mainly operated through this company.

3.10 Financial Performance

3.10.1 The overall historic performance of the Group has been as follows:

	Year ended 30 April 1999	Year ended 30 April 2000	Year ended 30 April 2000	Year ended 30 April 2001	6 months ended 31 October 2001
	Old accounting policy	Old accounting policy	New accounting policy	New accounting policy	New accounting policy
	£'000	£'000	£'000	£'000	£'000
Turnover	7,575	11,750	7,886	12,794	11,039
Gross profit	2,009	5,312	2,180	1,892	4,604
Gross profit %	26.5%	45.2%	27.6%	14.8%	41.7%
Overheads	(2,006)	(4,109)	(4,109)	(23,274)	(7,629)
Net profit / (loss)	3	1,203	(1,929)	(21,382)	(3,085)

Source :	Audited accounts	Audited accounts	Audited accounts	Draft accounts	Management accounts

- 3.10.2 The Group adopted a new accounting policy for the recognition of licensing income during the year ended 30 April 2001. The Group had a number of licensing contracts that spanned multiple accounting periods and included an element of guaranteed licensing income. The historic accounting policy allowed the guaranteed licensing income to be recognised in full in the accounting period in which the licensing contract was signed.
- 3.10.3 The revised accounting policy required guarantee income to be recognised across the life of the contract. This policy allows the turnover to be recognised on a basis that is more consistent with the cash generated by the contracts.
- 3.10.4 The above table shows the financial results of the business including restated results for the year ended 30 April 2000.
- 3.10.5 The comparison of the financial results of the business under the new and old accounting policies for the year ended 30 April 2000 shows the material impact of the policy change.
- 3.10.6 The Group had undertaken a significant increase in its overhead base during the period since flotation, including but not limited to the acquisition of Mediakey, the purchase of the freehold office block in Shepherds Bush, London and the associated increase in employee numbers. The Group also incurred significant costs in co-developing the Butt-Ugly Martians concept and fitting out the offices at Bakewell, Derbyshire and Shepherds Bush.
- 3.10.7 It was apparent to the Group's directors during early 2001 that the Group would need to raise further cash in order to sustain its growth plans. A larger than forecast cash requirement was generated by:
- the delay in the "uptake" of Butt-Ugly Martians by television channels. Licensing opportunities are dependant on publicity generated by television broadcasting. The delay meant that sales were not generated leading to a shortage in cash generation, and;
 - the significant overdue creditor backlog inherited by the Group on its acquisition of Mediakey.
- 3.10.8 The Group's auditors reported to the Directors during the second half of 2001 that the Group would require c£7.5 million of additional funding to overcome the significant creditor pressure that had accumulated.
- 3.10.9 The Directors took steps to raise additional funds by inviting investment from financial institutions. Despite conducting in excess of 30 presentations, the Group was unable to attract sufficient funding.
- 3.10.10 The Group had fully utilised its available funding by the end of 2001 and the Directors therefore took legal advice which led to the identified Companies being placed into Administration.

3.10.11 Administration Orders were granted over the identified Companies on 9 January 2002 for the purposes of:

- 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 Part 1 of the Insolvency Act 1986.

4 Action since appointment

4.1 Our strategy was developed to achieve the Section 8(3) Insolvency Act 1986 purposes of the Administration Order, as listed in paragraph 3.10.11 above.

4.2 We carried out a review of the Group's businesses and activities immediately following appointment. Our initial concern was to stabilise the business. This focused on:

- Implementing a limited number of initial redundancies (8 out of the initial work force of 78) to reduce the operational cost base of the Group. There have also been a number of employee resignations during the Administration period, which have further reduced costs;
- Maximising cash generation by accelerating and maximising debtor realisations;
- Liasing with customers and suppliers to secure on-going performance of contracts. This included the negotiation of assignment contracts whereby the customer agrees to pay the Group's supplier(s) directly, thereby allowing the Group to retain the net cash benefit from the customer's order;
- Identifying immediate sources of cash generation, i.e. sale of non-core business activities and surplus assets.

4.3 It was apparent that the significant cash constraints upon the Group during the period leading up to our appointment had restricted the Group's ability to trade, as detailed below.

4.4 The Directors had decided, prior to our appointment, to vacate the Group's Bakewell office in order to reduce overheads, consolidate activities within the Group's office in Shepherds Bush, London and limit the outflow of cash. A number of redundancies had been made by the Directors in connection with the closure. The redundancies impacted on businesses including Just Licensing Ltd and Just Entertainment Ltd.

4.5 The lack of management and employee resource within these businesses led to a significant delay in the production of management accounts, issuing of new licenses and the monitoring and collection of licensing revenue in the period leading up to our appointment.

4.6 The remaining Group businesses were dependant on sub-contractors (including printers) in order to complete customer orders. The severity of the Group's cash constraints led to a number of the key sub-contractors placing the Group "on stop" thereby preventing the completion of customer orders. This situation had been in existence for several months prior to our appointment and customer goodwill was being eroded by non performance of orders.

4.7 We endeavoured to trade the identified Companies in order to maintain customer goodwill. This had the effect of enhancing:

- Debtor realisations, and;

The prospect of selling the business/businesses as going concerns, and will produce a better realisation of the Group's assets than would be effected in a winding up.

4.8 However, the extent of the Group's financial difficulties pre-appointment led to a situation in which the costs of completing customer orders were often prohibitive. We had to balance these costs against the benefit that was likely to accrue to the Administration in the short to medium term.

4.9 The insolvency of the identified Companies led to a limited number of contract terminations. The most significant of these was the withdrawal by Warner Bros of licensing rights granted to the Group. This impacted on the ability to publish children's comics through Just Publishing Ltd and the ability of the Group to sell toys manufactured by the Consumer Toys division (Juseco Toys Ltd). The termination of the licenses impacted on the potential goodwill value of these business activities.

4.10 As a result of the above, the sales generated by the Group during the initial two month period of the Administration were significantly lower than management's pre-administration forecast (c£0.7 million against forecast of c£2.0 million).

4.11 We reduced costs where possible, however, the need to preserve the goodwill of the businesses limited the scope for cost reduction in the short term.

4.12 We succeeded in selling all of the trading businesses by the end of February 2002 (see section 5 below). The remaining assets will not attract significant holding costs and we are therefore in a position to realise the assets within a timescale designed to maximise realisations.

5 Sale of the businesses

5.1 The Group was immediately marketed for sale with an advert being placed in the Financial Times on 15 January 2002. We utilised the KPMG Corporate Finance Media Group to market the businesses using:

- Advertisements in the press;
- "Cold calls" to competitors;
- Searches of our internal data bases and contacting parties that may have had an interest;
- Liaising with the Directors to identify parties that had previously expressed an interest in the business.

5.2 We received a significant number of enquiries (c90 sales memoranda were sent to interested parties) and we received a number of offers for various parts of the Group.

5.3 An offer was accepted from Quarto Publishing Ltd ("Quarto") for the business and assets of Marshall Editions Ltd, Marshall Editions Developments Ltd and Marshall Publishing Ltd (collectively "Editions"). The sale was completed on 7 February 2002 for a total consideration of £1,265,000 of which £568,000 was received on completion with a deferred element of £697,000.

5.4 The businesses of Just Publishing Ltd and Newsstand Publications Ltd were sold to Toontastic Publishing Ltd on 20 February 2002 for total consideration of £117,000. The purchaser has further undertaken to settle the administrator's purchase order commitments relating to future sales (value £100,000).

5.5 The sale of the rights in Pinky and Perky to Iprex Ltd was completed on 28 February 2002 for total consideration of £200,000.

5.6 We also completed the sale of the businesses of Marshall Direct Learning Ltd ("Direct") and Abbey Home Entertainment Group Ltd ("Abbey") on 28 February 2002 to Ashgarden Ltd, a company whose directors include Ian Miles and Anne Miles, the directors of various of the identified Companies. The consideration received for the sale was £1,022,455. Included in this disposal were the various rights held in Just Licensing Ltd and Just Entertainment Ltd that relate to the Abbey and Direct businesses.

5.7 We continue to market the IPR in the Butt-Ugly Martians characters. We are aware that interest in the asset is likely to come from the co-owners of the rights. However, we advertised the rights in The Financial Times on Friday 22 February 2002 in order to expose the asset to the market and we are actively pursuing interested parties in order to maximise the value attainable for the benefit of creditors.

5.8 We met with the Just Action Group ("JAG") on several occasions as they expressed an interest in refinancing the Group. They have so far been unable to raise the funds to do so, however, we have provided JAG with access to Group information so that they may pursue their interest.

6 The freehold property at Shepherds Bush

6.1 Our agents, Knight Frank, have advised that it would take considerable time to find a purchaser for the freehold property on a vacant possession basis. This strategy would also lead to issues of security during the marketing period and significant holding costs.

6.2 Our agent's advice has therefore been to identify a tenant and to grant a lease thereby allowing the property to be sold as an investment opportunity. This strategy will maximise the value realised from the property.

6.3 Knight Frank has been in discussions with potential tenants and is in the process of negotiating for a third party to occupy the property on a five year lease commencing 23 March 2002. Consequently, we have instructed Frank Knight to market the property for sale as an investment.

7 Achieving the Section 8(3) Insolvency Act 1986 purposes

7.1 The key asset of the Group, excluding the freehold property in Shepherds Bush, London, is the IPR and goodwill of the businesses.

7.2 The value in the IPR and goodwill was maximised by continuing to trade the businesses and seeking a sale of the Group businesses as going concerns. A Company Voluntary Arrangement ("CVA") involving the trading businesses was a possibility at the outset of the Administration, however, this has not been possible due to the adverse trading conditions.

7.3 In the event that satisfactory offers are not received for the remaining assets, it will be possible to retain ownership of the rights and collect the licensing revenue for the benefit of creditors.

7.4 The Section 8(3) Insolvency Act 1986 purposes listed in section 3.10.11 above therefore continue to be achievable under the Administration Order.

8 Directors' Statements of Affairs

8.1 A copy of the Directors' statements of affairs is attached as Appendix 3.

9 Dividend prospects

- 9.1 We attach as Appendix 3 an estimated outcome statement for the Group.
- 9.2 We have not included an estimate of the value realisable for the freehold property and the rights in the Butt-Ugly Martians (collectively the "remaining assets") in the estimated outcome statement as this information is commercially sensitive.
- 9.3 The estimated outcome statement shows that £7.52 million will have to be realised from the remaining assets in order to produce a dividend for unsecured creditors. This is contingent on achieving the stated values for book debt realisations as well as receiving the full value of the deferred consideration in respect of the sale to Quarto. The outcome also assumes that the Administration trading surplus remains as forecast.
- 9.4 We are aware that the Directors were considering legal action in relation to a number of matters in the period prior to our appointment. We have sought legal advice in respect of these claims. We believe that it would be prudent to await the potential appointment of a creditors' committee and the outcome of the legal advice before disclosing the nature of the actions. We have not included realisations from the above potential actions in our estimated outcome statement.

10 Administrators' costs

- 10.1 Our estimate of costs is included in the Group estimated outcome statement which is attached as Appendix 3.
- 10.2 Further analysis of the Administrators' costs is attached as Appendix 4 and a creditors' guide to fees is enclosed separately.

11 Administrators' proposals

- 11.1 To continue to market the Group's rights in the Butt-Ugly Martians with the aim of achieving an outright sale, or to retain ownership of the rights to collect future revenues, at the Administrators' discretion.
- 11.2 To continue to collect book debts and to realise the freehold property at the earliest available opportunity.
- 11.3 To pursue the most appropriate Administration exit routes for the identified Companies and for the Administrators to convene the appropriate meetings, the timing to be at the Administrators' discretion, taking into account the requirement to maximise realisations from the assets.
- 11.4 To seek the discharge of the Administration Orders upon the implementation of the appropriate exit routes.
- 11.5 That the Administrators' remuneration shall be based upon time costs, and together with the expense incurred by them in the Administration, shall be paid out of the assets of the identified Companies.

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Chris Radford
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DX 10031 NOTTINGHAM

15 March 2002

BY FAX (0115 950 7000) AND DX

Dear Sirs

JUST GROUP PLC (IN ADMINISTRATION)

We act for the Just Action Group ("JAG") in place of Messrs Sprecher Grier Halberstam. We understand that you act for the Joint Administrators of Just Group Plc ("the Administrators").

We have seen some correspondence between yourselves Sprecher Grier Halberstam, although we are not sure whether we have seen all correspondence or whether that correspondence is particularly relevant.

Without needing to expand upon previous correspondence, we would like to revive our clients' interest in the proposal of a CVA of Just Group, the approval of a CVA being one of the statutory purposes referred to in the Administration Order as confirmed in your letter of 25th January 2002.

Our clients believe that they have strong proposals to make for the voluntary arrangement. However, to avoid the costs of preparation and the costs of your client having to consider those, it would be useful to understand your clients current thinking and concerns as to the viability of a proposal and as to the future of the administration.

We understand that your clients laid down a report to court on Monday 11th March 2002 and informed the court that negotiations to sell the asset known as "Butt Ugly Martians" were continuing but would be lengthy and delicate. We understand that the court was also informed that if a sale was not possible, your clients might consider a CVA in which case Just Group could collect income from royalties flowing from the various intellectual property rights owned.

Our clients would welcome a meeting at the earliest opportunity, with ourselves and yourselves in attendance, to understand whether it is viable to proceed with the proposals for a voluntary arrangement.

Our clients strongly believe that the proposals that they would put to creditors, would be attractive and in the very best interests of those creditors.

We would be grateful to hear from as soon as possible, as we would like to progress arrangements.

Yours faithfully

MDR

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Date 21 March 2002
Your Reference DD/DKA
Our Reference 1388/saw/ 46142
Direct Line 0115 859 8704
Email andrewjordan@eversheds.com

By Fax No. 020 7404 2376 and DX

Dear Sirs

JUST GROUP PLC (IN ADMINISTRATION)

We acknowledge receipt of your letter dated 15 March 2002 and note that you are now acting on behalf of JAG in place of Messrs Sprecher Grier Haberstam.

We confirm that our clients have already made contact with Begbies Traynor with a view to holding a meeting prior to the Creditors meeting called under Section 23 of the Insolvency Act 1986. As you know, the Creditors meeting is due to take place on Wednesday 3 April 2002 and would be grateful if you would indicate whether you will be in attendance at that meeting.

We trust that we will be able to discuss matters again following the meeting between the Administrators and Begbies Traynor and certainly in advance of the Creditors meeting.

Yours faithfully

EVERSHEDS

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PRIVATE & CONFIDENTIAL

A.W Graham
EPMG Corporate Recovery
DX 10131 NOTTINGHAM 1

19 April 2002

BY FAX (0115 935 3500) AND DX

Dear Mr Graham

JUST GROUP PLC (IN ADMINISTRATION) ("THE COMPANY")

We write further to the above in our capacity as solicitors acting for Just Action Group ("JAG").

By your letter of 5 April 2002 to prospective bidders for the outright purchase of the rights in Butt Ugly Martians, you required final offers for the purchase to be submitted to you by close of business on 19th April 2002.

JAG are not interested in either submitting an offer for the outright purchase of the rights in the Butt Ugly Martians nor submitting an offer for the retention of the rights by the Company and the appointment of a management agent.

However, JAG are interested in proposing a CVA and we enclose for your attention a document headed "CVA Proposal". This document has been prepared by Christopher Jones and Graham Calderbank of JAG and by Downs & Co, auditors and accountants.

Therefore, the only proposal that our clients are interest in submitting, relates to the Company Voluntary Arrangement in respect of the Company.

The enclosed document reflects JAG's outline proposal. Clearly, if the creditors choose to select the CVA option, a full and formal set of proposals to be submitted at a meeting of creditors will be distributed at the earliest possible opportunity.

You will be aware that JAG have sent letters of offer to the existing shareholders to raise further funds in consideration for the receipt of further shares.

We look forward to receiving your acknowledgment of this letter. JAG are very passionate about the Company's business, and are confident that the proposals for the CVA will succeed. If you have any queries about the detail in the enclosed document, do not hesitate to contact Daniel Davis of this firm.

This letter and enclosure are confidential. Please confirm that you accept the same on this basis.

Yours faithfully

MISHCON DE REYA

**OUTLINE PROPOSAL FOR A
COMPANY VOLUNTARY ARRANGEMENT
OF**

JUST GROUP PLC

**(NAME TO BE CHANGED
ON RELISTING TO THE AIM)**

Prepared by:

DOWNNS & CO

**REGISTERED AUDITORS & ACCOUNTANTS
IMPERIAL HOUSE NORTH STREET
BROMLEY KENT BR1 1SD**

**&
Christopher Jones
and Graham Calderbank
on behalf of
Just Action Group**

19 April 2002

1. Objectives and strategy for success

- Obtain short-term finance/working capital from shareholders and implement CVA
- Remove existing board and appoint new, skilled, enthusiastic board members, with drive and determination, to be approved by an EGM
- Appoint new bankers, auditors, nominated advisors and nominated brokers, which are at advanced stages of negotiation.
- Bring the Group's accounts up to date and relist its shares
- Instill a "Risk Management" culture in to the business
- Consolidate and nurture the business to build on the foundations now solidly in place, with the Group poised to reap the benefits of extensive investment in the past two years and capitalize on the expanding children's entertainment market
- Develop further the successful partnership with Universal on Butt Ugly Martians and other key 'partners,' such as Hasbro and Nickelodeon
- Re-establish the Group with a new name synonymous with success and integrity, as a major force in the children's entertainment industry

2. Financing

2.1 It is the objective of the Just Action Group to complete an initial raising from shareholders, currently in hand, and address requirements of the Royal Bank of Scotland and Unsecured Creditors.

2.1.1 Royal Bank of Scotland

- i. Subject to approval by the creditors of a CVA and the shareholders at an EGM, it is the intention to repay the sum of £1.2m off its loans from RBOS, from monies raised from shareholders. It is anticipated that the full £1.2m will be repaid immediately following the EGM.
- ii. Just Group will seek to either dispose of the property for in excess of £6m or remortgage it for that value during which time repayments will be made in accordance with the existing loan terms. All offers will be discussed with RBOS.
- iii. It is not Just Group's intention to retain the property long term and in the event that the property is disposed of for greater than £6m then a one off additional payment will be made to RBOS, calculated as follows:

<u>Disposal Price</u>	<u>Premium</u>
£6m	N/A
£6m to £6.5m	25% of excess over £6m
£6.5m to £7.0m	15% of excess over £6.5m plus £125,000
£7.0m to £7.5m	5% of excess over £7m plus £200,000

2.1.2 Unsecured Creditors

Our understanding from discussions with KPMG, is that there is likely to be a deficit of £1.2m upon the sale of the freehold property, before any payment is made to unsecured creditors and that this assumes the realisation of full value for the remaining book debts, including the £697,000 due from Quarto Publishing Ltd. It also assumes that the Shepherds Bush property is disposed of for £6m.

It is possible therefore that the deficit could be greater than £1.2m, whilst it is unlikely to be less. To our knowledge the offers received by KPMG remain advisory and therefore are unlikely to result in any dividend to unsecured creditors.

Even if Universal reinstated an earlier offer of circa £3.5m, the maximum available for distribution would be £2.3m and it could be considerably less. Based on KPMG's creditor list we believe that unsecured creditors total circa £8m which would equate to a maximum repayment of 28.75p in the £ and possibly significantly lower. A figure of between 10p & 15p is considered more likely assuming £8m creditors and a payment of £3.5m.

Conversations with creditors have taken place and significant interest has been expressed in the possibility of a CVA, involving a debt for equity swap. The majority have not mentioned any cash payment. Having recently received a creditor's mailing list from KPMG a letter is currently being distributed to creditors, with a view to more accurately gauging their view by the 29 April meeting.

Our proposal is as follows:

- i) 40p in the £, including a mixture of debt and equity, with the cash element to be determined by the level of funds currently being raised from shareholders. The quantum of monies raised will be known ahead of the Creditor's Committee Meeting on 29 April, at which time the proposed split will be formalised.
- ii) Subject to the CVA/EGM, consideration is to be given to taking legal action against Andersens. A figure of £30m plus has been discussed with legal advisors. It is proposed that 15% of any damages received, net of costs, be allocated to unsecured creditors. This would equate to a further £4.5m, on £30m, equivalent to an additional 56.25p in the £ on assumed creditors of £8m.

- ii) Historically shares in Just Group have seen significant increases on the back of expectations relating to its IP rights. In the case of BUM there have been statements made at MIP, in Cannes, that "a new \$28m feature film and a further 26 half hour episodes based on the property are about to be signed off, with Mike Young Productions and Universal down as co producers."

As shareholders in Just Group, the creditors will be able to benefit from the impact of:

- A business with sales from existing signed contracts which will exceed £4.5m over the next two years, the margin on which is expected to more than cover the significantly reduced overheads.
- Cash inflows from royalties which is expected to exceed gross margins as a result of the recoupment of previous investment in production costs and marketing.
- Any potential upside should Universal produce a film and invest in new episodes. Existing contracts equate to retail sales of approximately 2.5% of those achieved on Pokemon.

The above proposal offers an opportunity for the Bank and Unsecured Creditors to benefit significantly from supporting the removal of Just Group Plc from administration.

2.2 Working Capital

The working capital requirements will be minimal due to the low level of planned overheads and the expected inflows of royalties, a large proportion of which is retained by Just Group.

2.3 Development Opportunities

In the last 4 months a number of business opportunities have come to the fore, which have the potential to introduce substantial new representation rights for the Group to exploit.

3. APPOINTMENT OF NEW BOARD/SENIOR MANAGEMENT

New team led by CEO with "Entertainment" experience. Remuneration packages will be significantly lower than those previously granted encompassing performance related options and bonuses as part of the drive to minimize overheads, sending a positive message to shareholders. In addition to the persons referred to below a number of non-executive directors have been approached, including Keith Gutteridge, formerly Just Group Chairman, who has considerable Media experience.

3.1 Main Board Directors

□ Chief Executive Officer-- Alison Rayson

Voted by Broadcast, in 2000, as one of the 10 most powerful women in the TV industry. Alison has 9 years experience in TV distribution including time at ITEL and Cosgrove Hall, where she was involved with library sales, co-productions and packaging. Utilising her experience Alison established Mayfair TV Entertainment, as a division of Mayfair Entertainment International, part of the Chesterfield Properties Group.

In 1999 Alison set up Target Distribution Ltd, partly owned by Tiger Aspects and Talkback Productions, primarily to represent independent producers. Target currently owns over 1,000 hours of programming and has strong relationships with major international broadcasters, including ABC, Warner Bros., Fox and Universal.

Target are in the process of forming Target Entertainment Plc, a global multi rights company involved in the areas of Kids, Drama and Light Entertainment and view Butt-Ugly Martians and Just Group as a vehicle to develop their 'Target Kids' division and merchandising arm. Current properties include Pop Stars, Creature Comforts (Nick Park), Bad Girls, Footballers Wives and many more.

□ Group Operations Director -- Christopher Jones

Currently a Business Consultant, MBA, with 26 years extensive blue-chip and corporate experience, strong international sales and marketing background, successful track record with Bristol-Myers (8 years), Radio Luxembourg, J. John Masters (London) and extensive consultancy experience with corporations such as Vodafone, Franklin Mint, South East Afts, and Virgin Entertainment. A shareholder in Just Group, for over a year, who has studied the Company in depth. A strategic, skilled planner, operations, marketing and communications specialist.

□ Group Financial Director -- Nigel Wilson

BSc in Economics, qualified as a Chartered Accountant with Grant Thornton in 1994. 8 year experience in the Media Sector, initially with Prime Time, at the time the largest independent distributor in the UK. Co-ordinated the sale of Prime Time to Southern Star, an Australian quoted TV Company and became the FD of their UK operation. In July 2000 teamed up with Alison Rayson to form Target.

□ **Group Sales & Marketing Director – Nick Underwood**

Previously International Marketing Manager at Just Group, working closely with broadcasters and licensees, as well as retail and promotional partners, a position he previously held with Ragdoll Productions, for whom he helped to create the Teletubbies phenomenon.

Nick is well respected within the broadcast industry, particularly with Universal, Nickelodeon, Super RTL and CITV, who along with Hasbro are the key drivers of Butt-Ugly Martians.

□ **Group Commercial Director – Graham Calderbank**

BA Honours in Accounting and Finance, qualified as a Chartered Accountant with KPMG in 1984. Accountant, with 17 years experience, including 7 years with Just Group, 4 as Group Finance Director prior to June 2001, in which time the Group grew from a turnover of £2m to £20m. Excellent understanding of intellectual properties and the children's entertainments industry gained in this time.

3.2 Senior Management

□ **Consultant – Stephen Green**

Formerly Just Group Plc "Group Operations Director" Stephen has agreed to head up the Consumer Product Division, which may include a main board role. Formerly MD of Nintendo and Bandai, behind the hugely successful Turtles, Stephen took the company from a turnover of £2m to £167m in two years.

□ **Rob Stevenson**

Promotions are a key area within the Consumer Products division and Rob Stevenson was responsible for securing the successful Burger King, Weetabix and Little Chef promotions.

4. **PROPOSED JOINT SUPERVISORS**

Jamie Taylor and David Hudson of Begbies Traynor.

5. **PROPOSED LAWYERS**

Mihcon de Reya.

G. & B. CALDERBANK CONSULTANTS LIMITED

57 Acom Ridge

Walton

Chesterfield

S42 7HF

Telephone Number 01246 567322

E-Mail: graham@grcalderbank.freeserve.co.uk

26 April 2002

Craig Johansen
Manager
Corporate Recovery
KPMG
St Nicholas Row
Nottingham
NG1 6FQ

Dear Craig

Re: Just Group Plc (in Administration)

WITHOUT PREJUDICE AND SUBJECT TO CONTRACT

Firstly, please accept my apologies for not getting back to you earlier regarding the proposed Consultancy Agreement forwarded to me by Chris Radford of Eversheds.

In the e-mail from Chris Radford he referred to KPMG not having had an opportunity to review the document and therefore that it was issued subject to any further comments that KPMG may have. I have not heard further from you and therefore am I to presume that there are no amendments proposed by KPMG? Clearly, given the time delay, it is preferable for me now to comment on an approved version.

As you are aware I have been concentrating my efforts on working with Chris Jones and the potential new board on JAG's CVA proposal, which, on the basis of my knowledge of the business and its future prospects, post a CVA, coupled with the derisory offers I understand you have received to purchase the IP, is, in my opinion, the best option for creditors.

On the presumption that the CVA is selected by the Creditors at Monday's meeting then there is a need to commence work immediately, not only on chasing royalties but also piecing together the accounting records, in the interest of creditors, and also shareholders, of whom the creditors will soon be a part, if they are not already. I understand that the creditors will still have to vote on the CVA but would expect that to be a formality.

Given that JAG are proposing to replace Andersen's as auditors by Downs & Co it would seem appropriate to amend the agreement to their name, with my name as the primary contact.

I would be grateful if you could consider the above and confirm to me that what is outlined above is acceptable to KPMG, subject to the CVA being approved on Monday, in order that an agreement can be progressed and finalised early next week.

I would be grateful for a response at your earliest opportunity.

Regards

Graham Calderbank
Director



KPMG Corporate Recovery

Meeting note – Just Group plc

Meeting of creditors committee held at KPMG, Farringdon Street, London, on 29 April 2002 at 10:30am

Present	Alison Lord	KPMG
	Craig Johansen	KPMG
	Phil Ogden	
	Barbara Marshall	Bertelsmann Media Worldwide
	Marc Puskaric	Phoenix Security Services Ltd
	Luke Stone	SJ Berwin (representing
	Rabel Akhund	Universal Studios)

Alison Lord (AL) opened the meeting. She declared a quorum present however Luke Stone (LS) was delayed and was not present at the start of the meeting. AL confirmed the purpose of the meeting was to discuss the three available options for the Butt-Ugly Martians (BUM) characters. The three options are:

- 1 A CVA of Just Group plc allowing the rights to be taken forward within the company.
- 2 That Peak Entertainment Limited or another party manage the rights whilst the company remains in administration.
- 3 Universal Studios or another party make an offer to buy the rights outright.

AL asked Rabel Akhund (RA) what Universal's position would be in respect of BUM. RA confirmed that Universal were keeping their position open at present and that they will not be making an offer until they have reviewed the position further. AL confirmed that an outright offer of at least £2m would be required in order to provide a return to unsecured creditors.

Barbara Marshall (BM) stated that she recognised that the CVA may be the best option and that it would at least allow shareholders the potential option of participating in future income. This outcome would not be available under any of the other proposed options at this stage.

Phil Ogden (PO) asked RA whether Universal will be supporting a CVA. RA responded that Universal would want to see a copy of the CVA proposal before giving its view. AL further commented that it would not be Universal's sole right to veto or approve a CVA as this would be the principal right of the creditors. In any event 75% approval of the creditors attending the CVA meeting would be required to pass the CVA.

AL further confirmed that in order for the CVA to be viable, the Just Action Group (JAG) would need to provide initial funding to first of all pay off the Bank and secondly provide some up front cash to the creditors even if nothing were to happen to the rights in the future. AL stated that this up front payment to creditors may be the best option for creditors and that any future revenue would be a bonus for creditors/members.

AL also stated that whilst the option of appointing a management team to manage the rights may appear attractive, creditors would not benefit from the up front payments that would be available under the proposed CVA.

AL also confirmed that there is a need to progress matters quickly in order to avoid further deterioration of the rights in BUM and stressed that the purpose of this meeting was to:

- Provide an exit route for the administration to benefit the creditors, and
- To not necessarily maximise the outcome for the rights though this would be mutually beneficial.

BM asked if we had seen a copy of the CVA proposal. AL said that an outline proposal had been prepared by the JAG which was available to discuss at today's meeting.

AL stated that it may be beneficial to adjourn the meeting pending the arrival of LS as his vote would be required to determine the future strategy for the realisation of BUM.

RA confirmed that now he had stated Universal's position, and as a result of not being able to vote in respect of the future strategy (because of Universal's conflicted position) he would not plan to attend the meeting following the adjournment.

AL agreed with this proposal and also reiterated that any conflicted party would not be able to attend the discussion of the various CVA options or vote thereon.

PO said that he was also representing Peak Entertainment at this meeting and that at the first meeting of the creditors committee on 3 April 2002 he had been told that, whilst voting would not be possible by a conflicted party, it would be possible for the conflicted parties to listen to competing presentations. AL confirmed that she did not feel this was an appropriate course of action, and that any conflicted parties should be excluded from voting as well as listening to the competing proposals.

AL adjourned the meeting until 12:00pm pending the arrival of LS.

* * * * *

Following the arrival of LS, AL re-convened the meeting and summarised for LS what had been discussed up until then.

PO then made his presentation on behalf of Peak Entertainment in their capacity as a proposed management agent for the rights in BUM.

The contents of PO's presentation are attached under separate cover.

In addition to the points discussed in the report PO also confirmed that he believed that Peak Entertainment had the management expertise to exploit the rights in BUM to a greater degree than that of JAG, however, he recognised that for political reasons JAG may be the preferred party to take forward a CVA proposal. As a result, he confirmed that Peak Entertainment would put their full support behind JAG's CVA proposal in the event that this was the committee's preferred option.

PO also stated that there were currently guarantees available on licensing contracts signed for the BUM amounting to £4.9m. AL commented that the guarantees, in our view, are not collectable at present as the rights are seen by licensees to be prejudiced by the administration. It is therefore critical that momentum is generated behind BUM in order to improve the collectability of these guarantees.

BM asked PO whether the appointment of a management agent such as Peak Entertainment would preclude a CVA being put forward for the benefit of shareholders.

PO responded that in his views he saw the management agent option as a 'stop gap' to ensure that revenues are generated in the short term pending the adoption of a suitable exit route.

BM also asked PO how Peak Entertainment would propose to manage the US market when historically this had been a very difficult task. PO answered that Peak would have to appoint a US agent to exploit the US position (this is likely to be the same historic agent as that appointed by Just Group plc).

PO then left the room.

Following the conclusion of PO's presentation, AL made the following comments:

- KPMG are not endorsing this proposal but merely allowing Peak Entertainment to put this forward as a potential option for the creditors' committee.
- In the early stages Peak Entertainment were in discussions with JAG for the management of the rights. However, they soon parted company and we are not aware of the reasons for this.

BM stated that she feared the reason for this was the lack of credibility being shown by the outside markets in the ability of Peak to manage the rights going forward, and that JAG had decided that this damaged their chances of succeeding with a CVA proposal.

- BM stated that the market perception was that the trouble emanating from the Just Group plc administration was created by the individuals who currently sit on the Board of Peak Entertainment. BM also expressed the view that much was done by Just Group plc in the US in terms of marketing the rights in BUM and she felt that PO's assertion that Peak Entertainment would be able to exploit the US was overstated, mainly for the reason that the individuals involved in Peak Entertainment are generally the same individuals who were historically involved in marketing the rights within Just Group plc. BM's view was also that the property was marketed incorrectly, at the wrong time, and to the wrong people and she therefore shed doubt over Peak's ability to exploit these rights.
- AL stated that Universal have confirmed verbally that should Peak Entertainment be appointed management agents, then they would not seek to invest any further in the rights. AL stated that this could obviously change if Peak did obtain the management rights, however, this was a risk that the creditors would have to consider. It would be necessary to seek Universal's current views on this matter.
- AL stated that the licensing contracts developed for BUM were very complicated and legally non-straightforward and also, at some points contradictory. She was concerned that these contracts may not be drafted in a suitable legal manner if Peak is appointed management agent and negotiates new contracts.

AL asked the committee whether they wished to pursue Peak Entertainment's offer to manage the rights in BUM. The outcome of the vote was as follows (excluding those parties conflicted by the votes):

- BM voted against;
- LS voted against;
- MP abstained.

AL confirmed that this was therefore an option that did not want to be pursued by the creditors' committee on the basis that it had been rejected two votes to nil.

BM stated that she also had doubts as to whether new licensees would be put off by dealing with a company still in administration irrespective of whether the management agent was Peak Entertainment or another third party independent of Peak.

LS asked BM whether she was aware of any parties other than Peak Entertainment who would be willing to adopt the role that Peak was putting forward. BM said that the best option would be to find an American entertainment rights company to exploit the rights. However, the problem was that not many people were willing to be involved with BUM while it remained in its current, directionless state.

AL talked to the creditors' committee about the proposed CVA by JAG. AL distributed a copy of JAG's initial draft proposals and asked that the committee consider this information as confidential and that the information being distributed would be collected at the end of the meeting. AL confirmed that the current CVA proposal involved the CVA of Just Group plc alone and would not affect the other companies within administration.

AL confirmed that Just Group plc is liable for the full c£10m plus interest owed to the Bank (subject to confirmation) but that this could be reduced by the realisations from the other group companies.

Current estimates, as presented at the creditors meeting on 3 April 2002, are that c£1.2m will be required in order to meet the shortfall to the Bank (excluding the realisation of the rights in BUM).

The Bank has also indicated that it will need to be paid in full before it agrees to a CVA and AL explained the content of the CVA proposal as appended to these meeting notes. Furthermore AL confirmed that JAG had initially been treated with a degree of uncertainty. However, we have now received confirmation that they have raised in excess of £1.8m and that they are continuing to receive further funding.

BM asked whether JAG could raise the funds required from Banks or other institutions to which AL answered that it did not appear the case at present. However, the shareholders appear to be providing the funding that has been received to date. AL continued to explain the methodology of a CVA. She also gave the committee the opportunity to view the outline proposals. A number of questions were raised.

BM asked whether Universal would actually support the CVA proposal. AL advised that she understood that Universal was looking to support the CVA at present as they did not consider the CVA to constitute a transfer of ownership in the rights to the BUM and that it also compared favourably to the option put forward by Peak Entertainment.

LS asked BM whether she was aware of any of the people who were proposed to make-up the Board of the company in CVA. BM confirmed that she knew Nick Underwood who she understood knew his business very well and had previously looked after the international rights in respect of BUM. She said she was also aware of Graham Calderbank who was the ex-FD of Just Group plc, however, commented that he had been widely blamed for the purchase of Mediakey but otherwise seemed to be OK. In respect of Stephen Green, LS and BM confirmed that they had not been filled with a great degree of confidence on meeting him, however, they felt that this would not be too detrimental to the overall CVA proposal. They also confirmed that they felt that Chris Jones is very energetic and has the drive to push this forward and the use of Alison Rasen on the creative side was viewed by many as positive.

AL confirmed that she saw the advantages of a CVA being as follows:

- If cash is generated and the deal is accepted then the creditors will definitely get some money as opposed to the current nil dividend prospects of a liquidation option.
- That the nearer this option gets to being implemented, the more likely it is that Universal will actually start to pay attention and may actually make an offer that is viable.

BM agreed with this commentary and stated that she thought that Universal were key to the growth of the rights. She also stated that value would only be generated from the existing contracts if the business continued or the rights were sold.

AL put this to the vote. The proposal was whether the committee wished to progress with the CVA as proposed by the Just Action Group. The results of the vote were:

- BM - voted for;
- LS - voted for;
- MP - abstained, but would check with his head office.

The creditors' committee did raise a number of issues in respect of the proposal which they asked to be passed on by AL to JAG and these were as follows:

- That more cash be made available up front rather than put the risk of further returns on being able to re-list the company and sell the shares.
- That if the CVA option be pursued, a clear methodology for selling the shares and realising the value be put forward in the event that the company does re-list.
- If the BUM rights are sold that there is some indication of how this would impact on the dividend to unsecured creditors.
- That a profit share rather than a debt/equity swap be the proposed method of distributing further funds to creditors after the initial up-front payment.

AL then confirmed the following action would be taken going forward.

- That the administrators would contact Peak Entertainment and inform them that the creditors committee had decided not to pursue their option.
- That the administrators would approach JAG and state that their option of a CVA had been approved by the creditors committee and that a meeting should be prepared forthwith with the proposed supervisor in order to establish a timescale and get the proposals drafted.
- That minutes of the meeting would be circulated to the members by email where possible.

AL then asked if there were any further questions. There were none and the meeting was duly closed.

[Handwritten signature]
Alan [unclear]
[unclear]
[unclear]



KPMG Corporate Recovery

Telephone note			
Between	Danny Davis	Date	29 April 2002
of	Mishcon de Reya	Time	3:30pm
Tel no		Ref	Cj/kj/002
and	Alison Lord, Craig Johansen, Corporate Recovery	cc	
Subject	Just Group plc – proposed actions for the rights in Butt Ugly Martians		

AL confirmed to DD that the creditors' committee had agreed that the CVA proposed by the Just Action Group had merit and should be explored further.

It was essential that a timescale for putting the CVA into place be established and AL asked that DD contact Begbie Traynor (the proposed supervisor) and ask them to liaise directly with CJ to gain more information and establish a timescale.

AL stated that the creditors' committee had indicated that it would require more cash up-front than the initial 10-15p in the pound that had been proposed.

DD acknowledged this and also stated that he had given some thought particularly in respect of a debt for equity swap. He had suggested to his client that a profit share rather than a debt for equity swap may be the more palatable option for creditors. AL agreed with this view.

AL asked that DD confirm that any proposal would have a clause in it stating that the rights in Butt Ugly Martians could not be sold without the approval of creditors or the supervisor. This is to cover the event where sale of the rights in Butt Ugly Martians is completed after the CVA is implemented.

AL also stated that it was essential for the Just Action Group to establish which company should go into the CVA. At present only Just Group plc has been considered, however, it may be necessary to incorporate Just Group plc, Just Entertainment, and Just Licensing as it is believed that these three companies hold the rights of Butt Ugly Martians.

The telephone conversation then ended with DD agreeing that he would contact Begbie Traynor and the Just Action Group to pass on this information.



KPMG Corporate Recovery

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To	David Hudson	From	Craig Johansen
Organisation	Begbies Traynor	Department	Nottingham
Fax	01702 467201	Telephone	0115 935 3574
		Fax	0115 935 3500

Copy to

Date	3 May 2002	Ref	cj/	Page 1 of	4
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Subject Just Group plc and various subsidiaries – all in administration

Dear David

Further to our meeting yesterday, I have addressed your information request list and I have set out my answers below:

Andersen

Eversheds has given its consent for its letter of advice in respect of the potential action against Andersen to be made available to you. This has been sent to you by post today. There have been no pleadings or Council's advice sought to date.

Hasbro

I have reviewed our files and I can find no evidence of a claim having been submitted from Hasbro. We have, however, received a royalty statement from Hasbro showing an advance of US\$1,998,982.29. It appears, therefore, that Hasbro are carrying a credit balance on the licensing agreement rather than submitting a formal claim. For your information, the licensing agreement is with Just Licensing Ltd.

A copy of the royalty statement received will be included in the documents posted to you today.

Sachs

A copy of correspondence received from solicitors acting for Sachs has been posted to you today.

Fox

As above

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KPMG is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised by the Financial Services Authority for investment business activities



3 May 2002

Bakewell landlord

The landlord, Oulsnam Design (Europe) SL, has submitted paperwork indicating the current magnitude of its claim. The documentation has been posted to you.

In My Pocket

We have seen no documentation in respect of this alleged claim.

Fraus Maas

The settlement is in agreed form, however, we expect the agreement to be signed on Tuesday 7 May. A copy will be forwarded to you once it is available.

FEVA

The documentation relating to this claim has been posted to you today.

Trade Marks

We have instructed Eversheds to obtain trade mark searches from an independent agent. I have stressed to Eversheds the timescale that we are all operating under and I anticipate that this information will be available within the next 7-10 days.

DCDC

The documentation relating to this claim has been posted to you today.

74 Shepherds Bush Green

I am not in possession of a copy of the Spring 2001 valuation carried out by Saxon Law or the instruction letter to Saxon Law.

Further, the valuation performed by Knight Frank on behalf of the company in administration remains confidential, as does our letter of engagement with Knight Frank.

We are willing to provide copies of the leases with Barclays and the BBC. These can be obtained from Peter Welbourn at Knight Frank (T: 020 7861 1200 ; F: 020 7495 0436). Peter Welbourn will also be able to provide you with the marketing particulars.

RBS indebtedness

3 May 2002

I have included in the postal pack, a copy of a fax received from RBS showing the full bank indebtedness. We have so far distributed £500,000 to the Bank.

Wilf and Paula Shorrocks

Copies of the documentation received from Mr and Mrs Shorrocks' solicitors has been included in the postal pack.

Creditors

You have already been provided with copies of the purchase ledger prints used to support the directors' statement of affairs.

The information relating to preferential creditors is included in the estimated outcome statement provided to creditors ahead of the Section 23 meeting. I have included the limited information available in support of the preferential claims with the postal pack.

Royalties

As discussed yesterday, we have not been in a position to actively chase royalty payments due to the Group companies. This has been due to the limited employee resource available within the Group.

We are currently negotiating with Graham Calderbank in anticipation that his company will provide consultancy services to collect royalty income in the short to medium term. Graham will be able to keep you informed of developments in this regard.

Funds in hand

You have been provided with copies of the receipts and payments accounts as well as the estimated outcome statement prepared for the Section 23 meeting.

I am in the process of updating the estimated outcome statement to reflect the current position and I anticipate that this will be available by the end of next week.

We have obtained approval from the creditors to draw fees on a time cost basis and the Bank has also confirmed that we may draw fees upto £500,000 as and when funds are available. We have not drawn any fees to date and our work in progress currently stands at c£1.182 million including disbursements. We are keen to minimise on-going costs and would expect that our final costs will be c£1.3 million including the costs of closure for the remaining Just Group companies.

3 May 2002

I trust that the above is acceptable and you should receive all the supporting documentation by post on Tuesday 7th May. I will be out of the office on Tuesday and Wednesday next week but would be happy to answer any questions you may have during that time. I will be contactable on 07946 647191.

Kind regards,

Yours sincerely
For Just Group plc and various subsidiaries

Craig Johansen
For AW Graham
Joint Administrator

The Joint Administrators contract without personal liability

C Jones Esq
Just Action Group

Our Ref: DPH/JD

7th May 2002

e-mail: JonesCEEJAY@aol.com

Dear Chris

Re: Just Group Plc
Just Entertainment Limited
Just Licensing Limited – All In Administration

I refer to our meeting that took place on Friday 3rd May regarding the proposed CVAs for the above companies.

I herewith set out below the basic terms that we discussed regarding the proposed Voluntary Arrangements:-

1. It is proposed that only proposals for the above three companies will be drafted at this stage. In addition the Just Action Group are to consider the position of Just Group Properties Limited at a later date.
2. It is proposed that the assets in both Just Entertainment and Just Licensing Limited be 'hived up' into Just Group Plc.
3. The liabilities in Just Entertainment Limited and Just Licensing Limited are also to be 'hived up' into Just Group Plc.
4. The liability to the Royal Bank of Scotland is estimated at approximately £1.2 million across the Group. This liability will be paid in full from the funds raised from shareholders.
5. The liability to the Inland Revenue that is preferential and has been incurred in Just Group Plc., will be paid in full from the funds raised from shareholders.
6. A form of loan stock will be issued to unsecured creditors in the above three companies, in full and final settlement of their liabilities. This loan stock will equate to approximately 40p in the £ in relation to their total liabilities. Interest will be paid on the loan stock at a rate of between 2%-3% on an annual basis for a period of 7 years. After 7 years, the loan stock will be redeemable in full.

7. In addition to the offer made in the above paragraph, creditors may at any stage within the 7 years transfer their loan stock into shares in Just Group Plc. at market value at the date of transfer. These shares will not be redeemable until the 7 year period relating to the loan stock has expired.

The creditors whose liabilities relate to outstanding license fees, i.e. Universal will be treated as strategic creditors in accordance with the proposals. They will receive payment from the income from the products to which they hold the license rights over a period agreed between the parties. Without the consent of the licensed creditors, the CVA is not a viable option, and therefore it is deemed essential that they be treated in this way.

It is not possible at this stage to discuss the treatment of the inter-company creditors, as a full breakdown has not yet been established. Once this information has been received, this matter can be reviewed forthwith.

The above sets out in a basic format, an outline of the proposed Company Voluntary Arrangements for Just Group Plc., Just Entertainment Limited and Just Licensing Limited.

If there are any further matters you would like to discuss at this stage, please contact me.

Yours sincerely

David Paul Hudson
Bebbies Traynor

c.c. D Davis Esq
Mishcon de Reya
21 Southampton Row
London WC1B 5HS

e-mail: Davis@mishcon.co.uk



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To	Adam Mitchell	From	Craig Johansen
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Fax	01702 467 255	Telephone	0115 935 3574
		Fax	0115 935 3500
Copy to	Graham Calderbank 01246 569830		

Danny Davis
020 7404 2376

Date	13 May 2002	Ref	cj/	Page 1 of	15
Subject	Just Group plc, Just Entertainment Ltd and Just Licensing Ltd – all in administration				

Dear Adam

Thank you for your fax dated 9 May 2002 requesting further information regarding the above companies. I have also received an information request from Danny Davis at Mishcon de Reya which appears to duplicate in part the first information request list received from you at our meeting in Nottingham on 2 May 2002.

In order to avoid duplication, I have dealt with the information requested in both of the above documents in this fax.

I would also like to add that we have received a copy of the e-mail dated 7 May 2002 from David Hudson to Chris Jones outlining the basis of the CVA. Allan Graham and Alison Lord have now had an opportunity to provide their comments and I have left a voicemail message this afternoon for David Hudson to contact me so that our comments can be discussed.

Information requested by Begbies Traynor:

- **Motor vehicles** – the statement of affairs showed gross realisations of £7,500. We have succeeded in realising a total of c£11,000 (net of finance costs of c£5,000) on the sale of two motor vehicles. All other vehicles were either leased or had negative equity.
- **VAT refund** – a total refund of £37,513.58 has been received. To the best of our knowledge, no further refunds are due and the value in the statement of affairs was understated.

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KPMG is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised by the Financial Services Authority for investment business activities



13 May 2002

- **Debtors** – we are currently in the process of performing a complete debtor reconciliation. This has been necessary as:-

- Debtors have in many cases remitted funds to the old bank accounts, and in some cases the wrong company account. The Bank has transferred the funds in bulk from the old accounts to the new accounts and we have therefore had to undertake a complete reconciliation in order to ensure funds are in the correct account and allocated to the correct debtor.
- The companies' debtor records were often incomplete during the last 3-4 months pre-administration. It has therefore been a complex task pursuing and allocating debtor receipts.

We hope that the reconciliation will be complete by the end of this week, at which point we can give you a more accurate analysis of the receipts by company.

- **Inter-company accounts** – I attach a matrix of the inter-company debts for the Marshall group companies. I have also provided Graham Calderbank with access to Andrew Hodgson's old computer which should have the inter-company balances for the Just group companies. Hopefully, this will provide you with all the inter-company information that you need for the three companies.

The computer may also hold detailed figures in support of the summary statement of affairs figures provided to you.

- **Statement of affairs** – you have made a number of queries regarding the book value and estimated to realise figures in the directors' statement of affairs. Unfortunately, I cannot substantiate these figures, however, the supporting information should be available from either:-
 - Graham Calderbank using Andrew Hodgson's old computer, or
 - Asking Andrew Hodgson directly. I know that Graham Calderbank has already been in discussion with Andrew about some of the statement of affairs figures.
- **Goodwill** – the realisation of £199,995 in Just Group plc for intellectual property represented the consideration received for the sale of the group's rights in Pinky & Perky.
- **Fixed assets** – the receipt of £77,794 plus VAT in Just Group plc represents the auction proceeds (before agent's costs of £23,888 plus VAT) of assets located at the Bakewell property. There will be further proceeds from the assets located at Shepherd's Bush but these will be classed as realisations for the Marshall group companies. Our agents for the Shepherd's Bush site are in the process of realising these assets via auction and they will advise of the proceeds in due course.

13 May 2002

- **Unsecured loans** - our understanding is that these liabilities relate to unsecured loans raised by the company to facilitate the purchase of office equipment. Background information will be available from Graham Calderbank and Andrew Hodgson.
- **Trade marks and investments in Just Licensing Ltd** - The realisation of £1 under intellectual property relates to the sale of IPR following the sale of Abbey Home Entertainment related IPR to Ashgarden Ltd on 28 February 2002.
- **Royalties payable** - information available from Graham Calderbank or Andrew Hodgson.
- **Prepayments** - information available from Graham Calderbank or Andrew Hodgson.
- **Intellectual property in Just Entertainment Ltd** - The realisation of £1 under intellectual property relates to the sale of IPR following the sale of Abbey Home Entertainment related IPR to Ashgarden Ltd on 28 February 2002.
- **Fixed assets and royalties in Just Entertainment Ltd** - information available from Graham Calderbank or Andrew Hodgson.

Information requested by Danny Davis (where not already supplied):

- We have requested from RBS a detailed breakdown of the indebtedness to RBS including indebtedness by company and daily interest charges. We will forward this when it becomes available.
- I enclose correspondence received from Eversheds regarding the trade marks held by the group. Unfortunately, one of the schedules is not very legible in fax format. I have requested a clean copy which will be forwarded to you on receipt.
- Eversheds carried out an IPR audit prior to our appointment. I will e-mail them today and request that they forward a copy to you as long as they do not have an objection to this information being made available to you.
- We have been in negotiations with G&B Calderbank Consultants Ltd to provide debt collection and on-going royalty collection services for Just Group plc and any relevant subsidiaries. This work would be carried out by Graham Calderbank.

The contract is in agreed form but unsigned. However, we will make it a condition that the Supervisor in a subsequent CVA stands in the shoes of the Administrator in respect of administering this contract on an on-going basis. *We have made the assumption that this is acceptable to the Just Action Group, but we would appreciate their confirmation of the same.*

13 May 2002

I believe that we have provided all the information requested where it is available, and where not, provided potential sources for the information. I also look forward to discussing the draft CVA outline with David Hudson tomorrow.

Please do not hesitate to contact me if I can provide any further information.

Yours sincerely
For Just Group plc and various subsidiaries

Craig Johansen
For AW Graham
Joint Administrator

BY E-MAIL

57 Acorn Ridge
Walton
Chesterfield
S42 7HF
14 May 2002

Craig Johansen
KPMK Corporate Recovery
St Nicholas Row
Nottingham
NG1 6FQ

Dear Craig

I am in receipt of a faxed copy of your letter dated 13 May 2002 addressed to Adam Mitchell of Begbies Traynor, regarding which I would comment as follows:

- **Motor vehicles** - No comment.
- **VAT refund** - No comment.
- **Debtors**

The analysis you are preparing will clearly be of use in chasing outstanding debts.

- **Inter-company accounts**

The computer records were useful up to a point in that they reflect the accounts as of 31 December 2002, for most, but not all, of the companies. They are also based on the old accounting policies and do not reflect any of the adjustments agreed with Andersen's in respect of the 2001 Accounts.

There is also no reconciliation to the Statement's of Affairs.

That having been said I have discussed the same with Andrew Hodgson and managed to reconcile most of the inter company numbers.

For your information I have attached copies of the inter company reconciliation, based on the limited information available to me.

The concerns I have are as follows:

1. The £2,335,390 in JL reallocated from Royalties Payable to Inter Company, presumably relates mainly, if not totally, to BUM royalties due to JE. However, this adjustment is not reflected in the inter company balances of JE.

Please confirm the breakdown of this figure as a matter of urgency.

2. As far as I am aware the inter company balances with Optical were cancelled as part of the disposal to Winchester. Please would you confirm the position with Eversheds and provide a copy of the related agreement.
3. I believe that the inter company balances with Jusco-Toys and Wembley Sportsmaster have since been written off. Please provide a copy of the correspondence confirming this to be the case. Have there been any other such agreements?
4. There seems to be some confusion regarding Newsstand, Burghley and Just Publishing. Please provide a reconciliation between the December Nominal Ledger and the Statement of Affairs.
5. There is a difference of £136,969 between what the December N/L indicates is due from Marshall's and what is included on the Statement of Affairs. What does this relate to?

I notice that in your Inter Company reconciliation re Marshalls you are showing £4,377,865.94 as due to Just Group as of 31 December 2001. The N/L shows the balance as £5,431,200.89. Where does your number come from?

- **Statement of Affairs**

I have extracted some information from the server. Surely it is KPMG's responsibility to provide the information. If that requires the assistance of Andrew or myself should the Administrators not be paying for that!

Would KPMG like copies of the information I have extracted.

- **Goodwill** – No comment.
- **Fixed Assets** – No comment.
- **Unsecured Loans** – A list has been extracted from the computer.
- **Trade Marks and investments in Just Licensing Ltd** – No comment.
- **Royalties Payable** – This information needs to be obtained from the detailed working papers and reconciled forward to what has been received. Royalties Payable are regarded as strategic creditors.
- **Prepayments** – This needs the detailed working papers. Again this is surely up to KPMG to provide, or pay for someone to provide.
- **Intellectual Property in Just Entertainment Limited** - No comment.
- **Fixed assets and royalties in Just Entertainment** – Information has been extracted where available.

Information requested by Danny Davis

With regard to the involvement of my acting as debt collector the issue of an upfront payment still exists and given the amount of work I have undertaken to assist KPMG, particularly with regard to extracting vital information from the server I feel even stronger on that point. I would propose an amendment to the agreement as follows:

A payment of £2,000 plus VAT to cover the work I have undertaken to date, and may still need to undertake during May, extracting information from Just Group's records to enable KPMG to provide information to Begbies Traynor, payable on 31 May 2002.

The agreed first payment one month after the agreement is signed.

The agreed second payment two months after the agreement is signed.

Perhaps you could consider the above and get back to me.

Regards

Graham Calderbank



KPMG Corporate Recovery
 St Nicholas House
 Park Row
 Nottingham
 NG1 6FQ
 United Kingdom

Tel +44 (0) 115 935 3535
 Fax +44 (0) 115 935 3500
 DX 10131 Nottingham 1
 E-mail craig.johansen@kpmg.co.uk

To	Graham Calderbank	From	Craig Johansen
Organisation		Department	Nottingham
Fax	01246 569830	Telephone	0115 935 3574
		Fax	0115 935 3500

Copy to

Date 15 May 2002 Ref cj/ Page 1 of 2

Subject **Just Group plc, Just Entertainment Ltd and Just Licensing Ltd – all in administration**

Dear Graham

Thank you for your e-mail dated 14 May 2002. I have outlined below my responses to your questions.

Inter-company accounts – we do not have the background information to provide the reconciliations that you require. Again, this information is only going to be available from Andrew Hodgson or John Caine for the “Just” and “Marshall” inter-company balances respectively. I have replied to your comment on costs later in this fax.

I have asked Eversheds to obtain a copy of the Optical Image/Winchester contract and to forward a copy of the page showing that the inter-company accounts were written off, if this was the case.

I enclose a copy of a page from the share sale agreement for Wembley Sportsmaster and Jusco Toys showing that the inter-company balances have been written-off.

Statement of Affairs – the preparation of the Statement of Affairs is the responsibility of the directors of the companies. It is not the administrators’ role to provide reconciliations to support the Statement of Affairs. This is the responsibility of the directors and the directors have sworn the affidavits in support of the Statement of Affairs to confirm that they believe the content to be accurate.

JAG/Begbies Traynor require the reconciliations in order to prepare the CVA proposal and it is therefore our view that either:

- JAG should pay the costs of extracting the information, or

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The principal place of business is 8 Salisbury Square London EC4Y 8BB where a list of partners’ names is open to inspection.

KPMG is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised by the Financial Services Authority for investment business activities



15 May 2002

- Begbies Traynor should pay the costs and treat them as an expense of preparing the CVA which can be recovered from the companies' assets once the CVA is in place.

For completeness, we would welcome the opportunity see copies of the information extracted from the server. However, the information does not serve any purpose for the administration except to facilitate the CVA proposal. It is for this reason, that we believe that the costs should be borne by either of the parties listed above.

Royalties and Prepayments – comments as above.

Consultancy agreement – we do not believe that the position has changed since our discussions on 10 May. We will stand by our original agreement to enter into the agreement (subject to agreement from JAG that they are happy for you to act as consultant) and pay you the sum of £2,500 one month after signature and a further £2,500 one month thereafter.

The sum of £2,000 that you are seeking for May 2002 relates to the preparation of the CVA proposal and should be borne by either JAG or Begbies Traynor as detailed above.

Other matters – for your information, we have preliminarily arranged a meeting between the administrators and RBS for next Thursday (23 May 2002) at which we will present the current position. David Hudson has been invited to the meeting and it is envisaged that he will present the basis of the proposed CVA immediately following the administrators' meeting.

David has yet to confirm to me that he can make this meeting, however, his secretary has confirmed that he has no commitments on that day and has provisionally committed him to the meeting.

I hope that the above answers your questions, however, please do not hesitate to contact me if I can assist further.

Kind regards,

Yours sincerely
For Just Group plc and various subsidiaries

Craig Johansen
For the joint administrators



KPMG Corporate Recovery

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Fax: +44 (0) 115 935 3500
DX: 10131, Nottingham 1
E-mail: Craig.Johansen@kpmg.co.uk

To	Sharon Taylor	From	Craig Johansen
Organisation	Inland Revenue Insolvency Compliance Group	Department	Nottingham
Fax	01903 701413	Telephone	0115 935 3574
		Fax	0115 935 3500
Copy to			
Date	5 June 2002	Ref	cj/
			Page 1 of 1
Subject	Just Group plc – in administration EDI Realisations Ltd (formerly Marshall Editions Ltd) – in administration		
	Your reference – 880/1100540/1059273 24 SHT		

Dear Sharon

Thank you for your letter dated 30 May 2002 enclosing a copy of the Inland Revenue claim for PAYE/NIC in the above companies. I note that the Inland Revenue claim has been based on estimates.

Please note that the P35 print for each company up to the date of our appointment has now been submitted to your organisation.

According to the companies' records, the preferential claims for PAYE/NIC should be as follows:

Just Group plc £194,420

EDI Realisations Ltd (formerly Marshall Editions Ltd) c£322,000

My colleague in our London office, Anne Hill, has the files relating to this matter and I would be grateful if you would deal with Anne in order to agree the final preferential claims. I will also send you a copy of the s23 IA86 creditors' report and our proposals by post, as requested.

Yours sincerely
For Just Group plc and EDI Realisations Ltd

Craig Johansen
For the Joint Administrators

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Registered office:
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London EC4Y 8BB

KPMG LLP is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised by the Financial Services Authority for investment business activities



KPMG

KPMG LLP

Your reference - 8807110054071059323 24 5111
5 June 2002

Craig Johansen

From: "Johansen, Craig" <craig.johansen@kpmg.co.uk>
To: <nigel@target-tv.com>, <alison@target-tv.com>, <joy.mcadam@rbs.co.uk>, <jonesceejay@aol.com>, <danny_davis@mishcon.co.uk>, <chrisradford@eversheds.com>, <webmaster@tgf.co.uk>, "mail.ndirect.co.uk" <webmaster@tgf.co.uk>, <graham@grcalderbank.freemove.co.uk>
Date: 6/11/02 3:31pm
Subject: Just Group plc and various subsidiaries - all in administration

Dear all

Further to the meeting this morning attended by Joy McAdam (RBS), Chris Jones (JAG), Nigel Wilson (Target), Alison Raysen (Target) and myself, I set out below the agreed formula for repaying the bank in the CVA. This e-mail has been copied to Begbies Traynor with the aim that the terms can be incorporated into a revised draft of the CVA proposal.

The terms are:

It is estimated that the shortfall to the Bank will be £2.15 million based on Bank indebtedness (including interest estimate) of £10.45 million. Note, the shortfall of £2.15m includes assumptions that have been stated in previous e-mails. The figures must be read in conjunction with the assumptions.

JAG holds shareholder funds of c£1.85 million in escrow.

It is proposed to use this sum as follows:

1. Repay £1.3 million to the Bank immediately following agreement of the CVA;
2. Place £322k in escrow to cover PAYE/NIC preferential claim in EDI Realisations Ltd;
3. Pay £192k to Inland Revenue to settle PAYE/NIC claim in Just Group plc. Note in 2 and 3, the preferential claims of Inland Revenue have yet to be agreed; and
4. Retain the balance of (c£36k) as contribution towards the costs of implementing the CVA.

The indebtedness to the Bank after payment of the above sums would be c£336k.

It is further proposed to send a letter to shareholders inviting further funding ("the second fund raising exercise"). Funds raised as part of this exercise would be used as follows:

1. First £200k goes directly to the Bank;
2. Next £700k goes to Tiger Aspect to allow Newco to purchase Tiger Aspect shareholding in Target;
3. Next £364k is retained by Newco as working capital funds; and
4. Funds, if any, raised above £1,264k to be paid to the Bank in order to extinguish any remaining shortfall.

In the event that there is still a shortfall after the second fund raising exercise, the Bank will be repaid as follows:

1. The first £150k of any shortfall will be repaid by Newco within 6 months of the date of approval of the CVA. The repayment is to be in 6 equal monthly instalments; and
2. The Bank will have the discretion to opt for one of two options on any remaining shortfall after all of the above stages: (1) take an equity stake

in Newco and/or (2) opt for repayment of the remaining shortfall over a period to be negotiated between the Bank and the board of Newco.

The Bank retains its security over the rights in BUM and Jellabies/Jellikins until it is repaid in full (including interest accruing to the date of full repayment).

I hope that the above clearly states the agreed position following today's meeting.

FUTURE TIMESCALE:

1. Propose to hold CVA meetings in London on Wednesday 3 July;
2. JAG will finalise the shareholder fund raising letter and post by close of business on Wednesday 12 June;
3. Begbies Traynor to incorporate the above amendments into the draft CVA proposal. Draft to be sent to all parties for review by 10am Wednesday 12 June. Allan Graham is available to sign the proposal during Wednesday 12 June, hence the importance of receiving a draft by the stated deadline;
4. Begbies Traynor to book venue for creditors' and members' meetings as soon as possible so that proposal and notices can be sent out to creditors and members on Monday 17 June (time must be allowed for printing); and
5. RBS to provide calculation of interest charges as soon as possible in order to provide further certainty on the overall Bank indebtedness.

I will contact Begbies Traynor directly to ensure that the above timescale can be achieved.

Kind regards
Craig Johansen

Craig Johansen, Corporate Recovery

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CC: <allan.graham@kpmg.co.uk>, <alison.lord@kpmg.co.uk>

From: <JonesCEEJAY@aol.com>
To: <webmaster@tgf.co.uk>
Date: 6/12/02 6:34pm
Subject: URGENT - CVA PROPOSAL - Just Group - Administration

Adam,

I have just been advised by Graham Calderbank that essential amendments to the CVA proposal, previously agreed, have still not been made and the likelihood of resolving the amounts and amendments today will only be possible with a concerted effort to resolve matters this evening. We do not understand the reason for the delays.

If you have not understood previous proposed amendments, or if there was no hope of you providing a finished acceptable proposal this morning, contrary to the e-mail from Craig Johansen yesterday which made the position on the 10am deadline very clear, I should have been informed this morning.

I was not pleased to be advised that I had kept you on the phone 10 minutes, which, I would remind you, was to discuss the resolutions and whether yourselves, as nominees, will issue the letter to officially call the EGM or whether it should be KPMG. Clearly JAG is not in a position to call an EGM. I have since clarified with Craig Johansen that your firm will be able to call the EGM as nominees.

The interest being charged by RBS is almost £3,000 PER DAY and I have previously stressed, on several occasions, that time is of the essence. The loss of printing time today is at a cost of £5,000. If we do not meet the deadline to post the CVA proposal on Monday, we will have to delay the filling of 32,000 envelopes (by volunteers who are now organised) to the following weekend, thereby resulting in another weeks delay on the EGM meeting, with an increased interest charge cost of circa £21,000.

I have now spoken again to Craig Johansen at KPMG who has kindly agreed to stay late in order to finalise the proposal this evening, to enable us to go to print in the morning, thus keeping to the schedule of Monday posting.

I would confirm that Danny Davis of Mishcon de Reya is in the process of finalising the resolutions. I also confirm, for avoidance of doubt, that a letter will be required from Begbies Traynor to call the EGM for the 3rd July and to state that you have been appointed by the Joint Administrators as nominees. This letter will be required tomorrow morning to be printed by our printers immediately after the CVA proposal. I will advise you of the full address of the venue in the morning together with the agreed resolutions for the Proxy Form.

I would confirm that we have achieved substantial press coverage and, as anticipated, the rescue of Just Group is, according to many reporters I have spoken to today, "a unique, remarkable story". The press is advising readers in tomorrows papers including The Financial Times, The Times, The Telegraph, The Sun, Investors Chronicle, Shares Magazine, of the rescue and the Action Groups success to date - and it is possible your firm may be mentioned as nominees. The date of the EGM has been referred to.

I trust our position is clear and you can appreciate the urgency of the matter and that final terms of the CVA can be agreed this evening between yourselves, KPMG and Graham, who has provided considerable help to Begbies

Traynor over the weeks to try to arrive at an acceptable proposal.

Christopher Jones
Vice Chairman
Just Action Group

CC: <danny.devis@mishton.co.uk>, <craig.johansen@kpmg.co.uk>, <Downsbry@aol.com>, <alison@target-tv.com>, <nigel@target-tv.com>, <mail@grcalderbank.freemove.co.uk>, <chrisradford@eversheds.com>, <allen.graham@kpmg.co.uk>, <alison.lord@kpmg.co.uk>

Johansen, Craig

From: Johansen, Craig
Sent: 13 June 2002 11:01
To: Johansen, Craig; 'Graham Calderbank'; 'webmaster@tgf.co.uk';
Cc: 'JonesCEEJAY@aol.com'; 'nigel@target-tv.com'; Lord, Alison E; Graham, Allan W
Subject: RE: CVA Main document

Dear all

Further to my e-mail yesterday enclosing version 7 of the draft, I now attach version 8 of the draft CVA proposal together with the attachments originally prepared by Begbies Traynor.

I have discussed version 7 with Joy McAdam of RBS and Graham Calderbank and version 8 reflects the outcome of these discussions. I therefore hope that this is the final draft. Allan Graham is also satisfied with its content.

I would be grateful if you could all review the enclosed draft to ensure that you are happy with the amendments.

Allan will then be in a position to sign allowing JAG to pass the proposal to the printers.

Joy, could you please let me have a short written confirmation (by e-mail will suffice) confirming that the Bank is satisfied with the CVA proposal.

I look forward to your comments by return.

Regards
Craig



B E G B I E S T R A Y N O R
(INCORPORATING TAYLOR GOTHAM & FRY)
CORPORATE RESCUE & RECOVERY

STRICTLY PRIVATE & CONFIDENTIAL

Our Ref: AM/JD/74140/74141/74142

TO ALL KNOWN SHAREHOLDERS

17th June 2002

Dear Sirs

Re: Just Group Plc.
Just Entertainment Limited
Just Licensing Limited - All In Administration

I enclose a Notice convening a Extraordinary General Meeting of Shareholders to consider a proposal for a Company Voluntary Arrangement.

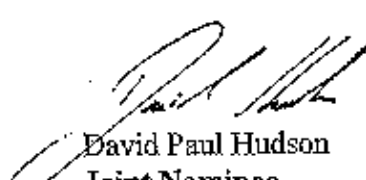
A copy of the proposal, my comments on the proposal and a form of proxy to enable you to vote at the meeting is also attached.

Any further information regarding the proposal should be submitted in writing either to myself or the Joint Nominee, Jamie Taylor at the following address:-

Begbies Traynor
The Old Exchange
234 Southchurch Road
Southend-on-Sea
Essex SS1 2EG

Enquiries may also be forwarded to the Nominees by e-mail on Webmaster@TGF.co.uk

Yours faithfully


David Paul Hudson
Joint Nominee

In the Matter of

Just Group Plc
Just Entertainment Ltd
Just Licensing Ltd

And

In the Matter of the Insolvency Act 1986

NOTICE IS HEREBY GIVEN, pursuant to section 3 of the Insolvency Act 1986, that Meetings of the Members of the above named companies will be held concurrently at, The Renaissance London Heathrow Hotel, Bath Road, Hounslow, Middlesex TW6 2AQ. on 2nd August 2002 at 2.00p.m. for the purpose mentioned in section 4 of the Insolvency Act 1986, that is whether to approve the proposed Voluntary Arrangement in relation to the above named company.

Enclosed with this Notice are the following forms and documents as prescribed by Rules 1.9 and 1.13 of Part 1, Chapters 2 and 5 of the Insolvency Rules 1986.

1. A copy of the Directors' Proposal
2. A copy of the company's Statement of Affairs.
3. A copy of the Nominee's Report on the proposal.

NOTE A:-

These documents have been delivered to the District Judge High Court of Justice, The Strand, London WC2A where they may be inspected by Creditors and Members.

4. Form of Proxy.
5. Extract from Rule 1.19 and 1.20 of the Insolvency Rules 1986 illustrating the voting procedure of Creditors and Members.

Dated 17 June 2002

David Paul Hudson – Joint Nominee

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. Grabam 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
(the "Company")

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 2pm on Friday 2nd August at The Renaissance London Heathrow Hotel, Hounslow, Middlesex TW6 2AQ. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

- 1 THAT, the company voluntary arrangement upon the terms of the document headed Proposal for a Company Voluntary Arrangement' dated 17th June 2002 (with such modification (if any) as shall be determined at this meeting) a copy of which (as so modified (if at all)) has been presented to this meeting and signed by the chairman for identification) (the 'CVA') be and is hereby approved.
- 2 THAT, conditionally upon the passing of the resolution numbered 1 in this notice of meeting, Christopher Jones be reappointed as a director;
- 3 THAT, conditionally upon the passing of the resolution numbered 1 in this notice of meeting, Nicholas Underwood be reappointed as a director;
- 4 THAT, conditionally upon the passing of the resolution numbered 1 in this notice of meeting, Graham Calderbank be reappointed as a director;
- 5 THAT, conditionally upon the passing of the resolution numbered 1 in this notice of meeting the authorised share capital of the Company be increased from £15,000,000 divided into 1,500,000,000 ordinary shares of 1p each to £20,000,000 by the creation of 500,000,000 new ordinary shares of 1p each ranking *pari passu* in all respects with the existing ordinary shares of 1p each in the capital of the Company.

SPECIAL RESOLUTION

- 6 THAT, subject to the passing of resolution numbered 1 in this notice of meeting:
 - (a) the directors be and they are hereby generally and unconditionally authorised, in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) (the "Act") up to an aggregate nominal amount of £8,105,267 provided that this authority shall expire on the fifth anniversary of the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and


such power previously granted to them and substituting at the date of the resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), allot equity securities (within the meaning of section 94(2) of the Act) of the Company pursuant to the authority conferred by paragraph (a) above, as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited:

- (i) to a maximum nominal amount of £3,157,898 in connection with the CVA;
- (ii) to a maximum nominal amount of £3,424,658 pursuant to the share offer by the Company as set out in the letter to shareholders dated 8th July 2002;
- (iii) otherwise up to an aggregate nominal account of £575,342;

provided that this authority will (unless previously revoked or varied by the Company in general meeting) expire 18 months from the date on which this resolution is passed or at the commencement of the next annual general meeting of the Company whichever first occurs, save that the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority as passed hereby had not expired.

Dated 8th July 2002

By order of the Board



Christopher Jones
Director

JUST GROUP PLC

Just House
Rutland Place
Bakewell
Derbyshire
DE45 1GU

Notes:

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

To be valid, a form of proxy and, if applicable any under which it is signed, or a certified copy of such authority, must be lodged at the registered offices of the Company not later than 48 hours before the time appointed for holding the meeting. Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting should he so wish.

For the purposes of determining who is entitled to attend or vote (whether on a show of hands or poll) at the meeting, a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.

Just Group Plc

TO THE SHAREHOLDERS OF JUST GROUP PLC

JUST GROUP PLC CONDITIONAL SHARE OFFER

Dear Shareholder

Please find enclosed a new formal Just Group PLC Share Offer in respect of shares in Just Group PLC. This offer supersedes all previous share offers which you have received on behalf of the Just Action Group ("JAG"). Those shareholders who have applied for shares under any of the JAG offers will be able to confirm their intention to apply for shares under this offer by completing Section A of the enclosed Application Form.

Under this offer FROM JUST GROUP PLC (NOT JAG) you have the opportunity to apply for shares in tranches of 10,000 shares at a price of £46p per share. The effect of this offer is, in practical terms, the same as the previous offer for shares at 1.9p per share with 3 bonus shares allotted for every ten shares applied for. If the share offer is over-subscribed, then applications will be scaled down pro rata to your respective shareholdings in Just Group PLC.

If you have already applied for shares in response to the previous conditional offers issued by or on behalf of JAG, or you now intend to apply to Just Group PLC for additional shares, please note:

Your application for shares can only be accepted by Just Group PLC on the terms of this offer. Previous statements have been made in good faith by members of JAG with the intention of keeping both its members and shareholders informed but the Company is not in a position to verify all statements made by all JAG members. Therefore, no reliance is to be placed on such previous statements. JAG has however asked that we clarify the following statements which were made in good faith in connection with previous offers:

(a) The statement that *Just Group PLC has a claim against Andersen valued at in excess of £30 million.*

Just Group PLC has been advised that it has a claim against Andersen and the prospects of a substantial recovery under such a claim have yet to be fully determined. Your attention is drawn to clause 4.16 within the body of the Company Voluntary Arrangement documentation, enclosed herewith.

(b) The statement that *Just Group PLC will partially repay creditors by means of an equity for debt swap.*

In the CYA proposal, creditors have now been offered loan notes, with the right, subject to conditions, to convert to shares. (A Special Resolution to issue equity for this purpose will be voted upon at the EGM, but it is of course possible that the creditors may choose to never convert loan notes into shares.)

(c) The implication by Mishcon de Reya, following its discussions with the Takeover Panel, that the Panel had recognised JAG as an official body and that proposals had received clearance from the Panel.

We wish to clarify that the Panel only discussed certain discrete rules of the City Code on Takeovers and Mergers and the relevance of these rules to JAG's rescue proposals. The Panel advised that these rules were not relevant, and in relation to the proposed debt for equity swap to creditors, did not offend the requirements of the Code. The Panel however, does not wish this inference to be drawn that it approved the funding proposals or recognised the Just Action Group as an "official body". The Panel has stated that it is not within its remit to grant clearance for such proposals or to recognise bodies such as the Just Action Group as the "official" representative of shareholders.

APPOINTMENT OF DIRECTORS

Please note that so as to procure compliance with the Company's Articles of Association and to facilitate the proposals referred to in this letter, each of Christopher Jones, Nicholas Underwood and Graham Cullerbank has agreed to be appointed as a director of Just Group PLC pending the holding of the EGM. At that time each of them shall resign

director, non-executive chairman or operations Director. His proposed and the terms of their respective service agreements, remuneration and amount of share options granted would be determined, with the aid of professional advice or by a remuneration committee consisting of independent non-executive directors, once appointed.

CORPORATE DEVELOPMENTS

If reappointed, the above Directors would wish, as a primary focus, to strengthen its Board by the careful selection and appointment of non executive directors in addition to expanding its management team to strive, in its operations and strategy, to achieve a successful, well managed, profitable business in order to restore shareholder value.

One possible means of adding further skills is through acquisitions, which would be pursued where the directors consider it in the Company's, and therefore shareholders', best interest. The right acquisition would, importantly, provide further development opportunities and strengthen the Company to build on the success achieved to date with the Birtley Martians, prior to Just Group relisting on the stockmarket.

One such acquisition currently being considered is the proposal to acquire Target Distribution Limited, recently referred to in the press and in the last Just Action Group letter to shareholders. We would point out that, whilst the directors cannot enter into Purchase Agreements on behalf of Just Group PLC prior to the approval of the various resolutions at the EGM, the directors are nevertheless in the process of negotiating the proposed legal agreements and are continuing to undertake the financial and legal due diligence which will be necessary to have been finalised for the agreements to be entered into after the EGM upon successful completion of due diligence.

We wish to confirm, following many requests, that if the rescue of Just Group PLC is successful via the CVA Proposal and share offer, all existing shareholdings remain valid.

WHAT YOU SHOULD DO NEXT:

A IF YOU HAVE APPLIED FOR SHARES PURSUANT TO A PREVIOUS JAG OFFER and wish your application and payment of monies to be used to purchase shares in accordance with the terms of this Offer, **PLEASE COMPLETE AND SIGN SECTION A** of the attached application form and return to Mishcon de Reya at the address shown. No further payment will be due, simply complete and return the form.

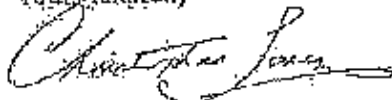
NB: IF YOU DO NOT COMPLETE SECTION A OF THE APPLICATION FORM AND RETURN IT TO US, monies submitted by you in relation to an application for shares pursuant to a previous JAG offer will be deemed to have been withdrawn and your money will be returned to you.

B IF YOU WISH TO APPLY FOR ADDITIONAL SHARES IN ACCORDANCE WITH THE TERMS OF THIS OFFER (whether or not you have made a previous application) **PLEASE COMPLETE SECTION B** of the attached Application Form and enclose a cheque for the relevant amount in respect of your application for additional shares. Please return to Mishcon de Reya solicitors at the address on the application form.

Please note that in the event sufficient shares are not subscribed for pursuant to the current offer, the CVA and rescue of Just Group PLC cannot succeed and all funds will be returned.

Thank you for your support of Just Group PLC.

Yours faithfully



Christopher Jones
Director

JUST GROUP PLC

Dated 5th July 2002.

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 Friday, 19th July 2002. This offer closes on Friday, 26th July 2002 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 Friday, 26th July 2002. This offer closes on Friday, 26th July 2002 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 £..... for shares at a price of 1.46p 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.

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

Disclose 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 adviser 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 purchase).

I accept that this application and payment must be received on or before Friday, 19th July 2002 for SECTION A and on or before Friday 26th July 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.

Company No. 2870308

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

RESOLUTIONS

of

JUST GROUP PLC

(Passed on 2 August 2002)



At an Extraordinary General Meeting of the above-named Company, duly convened and held at The Renaissance London Heathrow Hotel, Bath Road, Hounslow TW6 2AQ on the 2nd day of August 2002 at 2pm, the following Resolution 1 was duly passed as an Ordinary Resolution and the following Resolution 2 was duly passed as an Special Resolution:-

ORDINARY RESOLUTION

1. THAT the authorised share capital of the Company be increased from £15,000,000 divided into 1,500,000,000 ordinary shares of 1p each to £20,000,000 by the creation of 500,000,000 new ordinary shares of 1p each ranking *pari passu* in all respects with the existing ordinary shares of 1p each in the capital of the Company.

SPECIAL RESOLUTION

2 THAT:

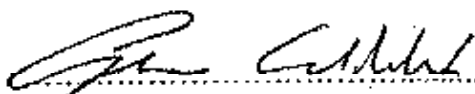
- (a) the directors be and are hereby generally and unconditionally authorised, in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) (the "Act") up to an aggregate nominal amount of

£8,105,267 provided that this authority shall expire on the fifth anniversary of the passing of this resolution, save that the Company may before such expiry make an offer or an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and

(b) the directors be and are hereby empowered to the exclusion of and in substitution for any other such power previously granted to them and substituting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), allot equity securities (within section 94(2) of the Act) of the Company pursuant to the authority conferred by paragraph 6(a) above, as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited:

- (i) to a maximum nominal amount of £3,157,898 in connection with the CVA;
- (ii) to a maximum nominal value of £3,424,658 pursuant to the share offer by the Company as set out in the letter to shareholders dated 8th July 2002;
- (iii) otherwise up to an aggregate nominal amount of £575,342;

provided this authority will (unless previously revoked or varied by the Company in general meeting) expire 18 months from the date on which this resolution is passed or at the commencement of the next annual general meeting of the Company whichever first occurs, save that the Company may, before this authority expires make an offer or an agreement which would or might require relevant securities to be allotted after the authority expires and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired."


.....
Director

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 I" 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: (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 Shepherds 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)
FBL 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

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.

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.

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 Burt-Ugly Martians and Jellabies/Jellikins. Universal Studios has a significant ownership share of the rights in Burt 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

- 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 to 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

- 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 Supervisors/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

They will have such access to the books and records of the New Company as they may require. The Supervisors agree to accept 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.

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 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

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 £35,000 plus VAT.

10.9 SUPERVISORS REMUNERATION

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

JUST GROUP PLC

STATUTORY INFORMATION

Company Number	02870308
Date of incorporation	9 November 1993
Principal Objects	Holding Company
Share Capital	The company has an issued share capital of 1,009,427,787 ordinary shares of 1p each.
Shareholders	A list of shareholders and their respective holdings is available upon request.
Directors	A L Caplin R G Lagden I Miles
Company Secretary	D Newcombe
Registered Office	St. Nicholas House, Park Row, Nottingham, NG1 6FQ
Charges	National Westminster Bank Plc Fixed Floating Charge Registered: 24 April 2001

JUST ENTERTAINMENT LIMITED

STATUTORY INFORMATION

Company Number	03341698
Date of incorporation	27 March 1997
Principal Objects	Licensing Activities
Share Capital	The company has an authorised share capital of 2 ordinary shares of £1 each, which are held as follows: Just Group Plc 2
Directors	I Miles
Company Secretary	J K Uppal
Registered Office	St. Nicholas House, Park Row, Nottingham, NG1 6FQ
Charges	National Westminster Bank Plc Fixed Floating Charge Registered: 24 April 2001

JUST LICENSING LIMITED

STATUTORY INFORMATION

Company Number	02186267
Date of incorporation	2 November 1987
Principal Objects	Licensing Activities
Share Capital	The company has an authorised share capital of 100 ordinary shares of £1 each, which are held as follows: Just Group Plc 100
Directors	I Miles
Company Secretary	J K Uppal
Registered Office	St. Nicholas House, Park Row, Nottingham, NG1 6FQ
Charges	National Westminster Bank Plc Fixed Floating Charge

	Book Value £	Estimated to realise £	Estimated to realise £
Assets:-			
Assets Specifically pledged:			
Assets pledged to finance company:			
Motor Vehicles	33,903		
Obligations under Finance Leases	(25,500)	7,500	7,500
Assets pledged to finance company:			
Video Conferencing	40,000		
Obligations under Finance Leases	(31,145)	0	0
Assets pledged to bank:			
TAT	17,997	17,997	
Debtors	3,228	3,228	
Corporation Tax	146,839	0	
Prepayments & Accrued Income	358,699	0	
Other Debtors	32,265	0	
Intercompany	32,962,441	0	
		21,225	
Total owed to bank under cross guarantee (subject to confirmation)		(10,000,000)	
		(9,978,775)	0
Assets not Specifically pledged:			
Investments	839,972	0	
Goodwill	1,637,510	0	
Fixed Assets	814,291	50,000	50,000
Estimated total Assets available for Preferential Creditors	36,830,500		57,500
Liabilities:-			
Preferential Creditors			
PAYE/NI			(208,142)
Estimated deficiency/surplus as regards preferential creditors			
(150,642)			
Debts secured by floating charge			
(9,978,775)			
Estimated deficiency/surplus as regards non preferential creditors			
(10,129,417)			
Non Preferential Creditors			
Purchase ledger			(1,516,469)
Unsecured Loans			(587,610)
Intercompany			(2,509,827)
(4,613,906)			
Estimated deficiency/surplus as regards creditors			
(14,743,323)			
Issued and called up share capital			
185			
(10,094,278)			

Just Entertainment Limited
Statement of Affairs (27th Feb 2002)

Appendix 2.2

	Book Value £	Estimated to realise £	Estimated to realise £
Assets:-			
Assets Specifically pledged:			
Assets pledged to bank:			
Debtors	836,572	700,000	
Bad Debt Provision	(242,264)	0	
Prepayments & Accrued Income	492,712	154,393	
Corporation Tax	13,082	0	
Other Debtors	105	0	
Intercompany	144,677	0	
		854,393	
Total owed to bank under cross guarantee (subject to confirmation)		(10,000,000)	
		(9,145,607)	0
Assets not Specifically pledged:			
Trade Marks	120,035	0	
Fixed Assets	5,694,622	1,200,000	1,200,000
Estimated total Assets available for Preferential Creditors	7,059,541		1,200,000
Liabilities:-			
Preferential Creditors			
VAT			
			(23,717)
Estimated deficiency/surplus as regards preferential creditors			1,176,283
Debts secured by floating charge			(9,145,607)
Estimated deficiency/surplus as regards non preferential creditors			(7,969,324)
Non Preferential Creditors			
Purchase ledger			
Royalties Payable			
Intercompany			
			(1,709,470)
			(628,348)
			(9,356,626)
			(11,694,444)
Estimated deficiency/surplus as regards creditors			(19,663,768)
Issued and called up share capital			(2)
			186
Estimated Total Deficiency/Surplus as regards Members			

	Book Value £	Estimated to realise £	Estimated to realise £
Assets:-			
Assets Specifically pledged:			
Assets pledged to bank:			
VAT	15	15	
Debtors	189,782	50,000	
Prepayments	568	0	
Intercompany	7,556,449	0	
		50,015	
Total owed to bank under cross guarantee (subject to confirmation)		(10,000,000)	
		(9,949,985)	0
Assets not Specifically pledged:			
Trade Marks	32,956	0	
Investments TV concepts	114,382	0	0
Estimated total Assets available for Preferential Creditors	7,894,152		0
Liabilities:-			
Preferential Creditors			
VAT			0
Estimated deficiency/surplus as regards preferential creditors			0
Debts secured by floating charge			(9,949,985)
Estimated deficiency/surplus as regards non preferential creditors			(9,949,985)
Non Preferential Creditors			
Purchase ledger			(274,851)
Royalties Payable			(175,000)
Intercompany			(9,303,810)
			(9,753,661)
Estimated deficiency/surplus as regards creditors			(19,703,646)
Issued and called up share capital			(100)
			187
Estimated deficiency/surplus as regards Members			(19,703,459)

JUST ACTION GROUP PLC ESTIMATED STATEMENT OF AFFAIRS AS AT 1 JUNE 2002

Appendix 3.1

		Book Value £	Estimated to Realise £
Assets Specifically Pledged			
Intercompany Debtors	1	27,194,590.00	nil
Bank	2		(2,150,000.00)
Bank Liability			(2,150,000.00)
Assets not specifically pledged			
Shareholder Funds	3		198,000.00
Assets Available for Preferential Creditors			198,000.00
Preferential Creditors			
Inland Revenue PAYE/NIC			(195,000.00)
Employee wages			(3,000.00)
Redeemable loan notes			
			3,108,382.00
Unsecured Creditors			
Creditors per purchase ledger	4		(1,326,002.00)
Unsecured Loans			(544,110.00)
Intercompany Creditors			(2,500,420.00)
Bertelsmann Intercompany Guarantee			(779,445.00)
Sachs Limited			(586,207.00)
Feva UK Limited			(95,750.00)
Oulsnam Design			(67,487.00)
MEG			(620,690.00)
W.Shorrocks			(240,000.00)
P.Shorrocks			(125,000.00)
Mike Young Promotions Ltd			(227,586.00)
G.Caldexbank			(60,430.00)
D.Newcombe			(150,000.00)
DCDC			(364,828.00)
B.Marshall			(83,000.00)
Total Liability as regards Unsecured Creditors			7,770,955.00

NOTES TO THE STATEMENT OF AFFAIRS

sets

1 Inter Company Debtors

Following a review of the financial information it is calculated that the inter company balances due to the parent company from the group subsidiaries total £27,194,590. There is little likelihood that any funds will be received in respect of these balances.

2 Bank Liability

The liability estimated in the Statement of Affairs presented to the Administrators totals £10.45m. It is calculated that after realisation of assets secured by the bank under its charge there will be a shortfall due of a maximum of £2.15m.

3 Shareholder Funds

As detailed in the proposal the Just Action Group have raised significant funds from Shareholders. These funds are held by a solicitor and will be used to meet the claim of the preferential creditor in full.

4 Unsecured Creditors

The claims detailed in the Estimated Statement of Affairs have not been agreed. Any claim submitted in the Voluntary Arrangement will be subject to the agreement of the Supervisors appointed. Under the terms of the proposal redeemable loan notes will be issued to all unsecured creditors equating to 40p in the pound on their claims. The amount of loan notes issued will be dependent upon the level of claims agreed.

JUST ENTERTAINMENT LIMITED ESTIMATED STATEMENT OF AFFAIRS AS AT 1 JUNE 2002

Appendix 3.2

Assets Specifically Pledged		Book Value £	Estimated to Realise £
Debtors	1	836,572.00	Uncertain
Intercompany Debtors	2	2,297,992.00	nil
Bank	3		(2,150,000.00)
Bank Liability			(2,150,000.00)
Assets not specifically pledged			
Fixed Assets	4	3,474,211.00	Uncertain
Redeemable loan note			5,167,467.60
Unsecured Creditors	5		
Creditors per purchase ledger			(859,770.00)
Intercompany Loans			(8,754,554.00)
Fox Family			(1,896,552.00)
Bertelsmann Intercompany Guarantee			(779,445.00)
Universal Studios			(628,348.00)
Total liability as regards Unsecured Creditors			<u>12,918,669.00</u>

NOTES TO THE STATEMENT OF AFFAIRS

1 Debtors

Debtors were estimated on the Statement of Affairs submitted to the Administrator to realise £700,000. Pre-payments and accruals relating to royalties were estimated to realise £153,393. Difficulties have been experienced in realising these assets and to date £71,384 has been realised. In the event that further realisations are made then these funds will be passed to the bank in accordance with the terms of their security.

2 Inter Company Debtors

Following a review of the financial information it is calculated that the inter-company balances due to the parent company from the group subsidiaries total £2,297,992. There is little likelihood that any funds will be received in respect of the balances.

3 Bank Liability

The liability estimated in the Statement of Affairs presented to the Administrators totals £10.45m. It is calculated that after realisation of assets secured by the bank under its charge there will be a shortfall due of a maximum of £2.15m.

3 Fixed Assets

Fixed Assets are estimated to realise in the Statement of Affairs presented to the Administrator £1.2m. This estimate relates to the rights to Butt Ugly Martians. Given the part-ownership of the rights the value of this asset is uncertain.

4 Unsecured Creditors

The claims detailed in the Estimated Statement of Affairs have not been agreed. Any claim submitted in the Voluntary Arrangement will be subject to the agreement of the Supervisors appointed. Under the terms of the proposal redeemable loan notes will be issued to all unsecured creditors equating to 40p in the pound on their claims. The amount of loan notes issued will be dependent upon the level of claims agreed.

JUS LICENSING LIMITED ESTIMATED STATEMENT OF AFFAIRS AS AT 1 JUNE 2002

Appendix 3.3

Assets Specifically Pledged		Book Value £	Estimated to Realise £
Intercompany Debtors	1	5,590,911.00	
Bank	2		Uncertain
Bank Liability			<u>(2,150,000.00)</u> <u>(2,150,000.00)</u>
Redeemable loan notes			4,660,720.80
Unsecured Creditors	3		
Creditors per purchase ledger			
Intercompany Creditors			(187,612.00)
Hasbro			(9,172,416.00)
Bertelsmann Intercompany Guarantee			(1,250,000.00)
Universal Studios			(779,445.00)
Trebor Bassett			(175,000.00)
Total liability as regards Unsecured Creditors			<u>(87,329.00)</u> <u>11,651,802.00</u>

NOTES TO THE STATEMENT OF AFFAIRS

Assets

1 Inter Company Debtors

Following a review of the financial information it is calculated that the inter company balances due to the parent company from the group subsidiaries total £5,590,911. There is little likelihood that any funds will be received in respect of these balances.

2 Bank Liability

The liability estimated in the Statement of Affairs presented to the Administrators totals £10.45m. It is calculated that after realisation of assets secured by the bank under its charge there will be a shortfall due of a maximum of £2.15m.

3 Unsecured Creditors

The claims detailed in the Estimated Statement of Affairs have not been agreed. Any claim submitted in the Voluntary Arrangement will be subject to the agreement of the Supervisors appointed. Under the terms of the proposal redeemable loan notes will be issued to all unsecured creditors equating to 40p in the pound on their claims. The amount of loan notes issued will be dependent upon the level of claims agreed.

LOAN NOTES

- 1 The Loan Notes are to be issued by Just Group Plc. to its Unsecured Creditors and to its two subsidiaries Just Licensing Limited and Just Entertainment Limited.

- 2 The value of the Loan Notes will equate to 40% of the agreed Unsecured Creditors Claims of Just Group Plc., Just Licensing Limited and Just Entertainment Limited.
- 3 The Loan Notes will be repaid by the New Company as to 10% of the agreed Unsecured Claims after 3 years, 10% after 5 years and the balance of 20% of the agreed Claims after 7 years.
- 4 It should be noted that the Supervisors disclaim any responsibility as to the value of these Loan Notes and Creditors must seek legal advice for independent financial advice from a registered Financial Advisor.

Appendix 5

CONNECTED COMPANIES

Optical Image Ltd
 Newsstand Publications Ltd
 Abbey Home Entertainment Group Ltd
 Forester Investments Ltd
 Monster Innovations Group Ltd
 Burghley Publishing Ltd
 Just Licensing Ltd
 Just Entertainment Ltd
 Just Group Plc

CONNECTED PARTIES

W. Sherrocks
 P. Sherrocks
 I. Miles
 A. Miles
 G. Calderbank
 B. Marshall
 D. Newcombe

**NewScreen Media
Group Plc****Memo**

To: Main Board Directors
From: Graham Calderbank
CC:
Date: 18/05/2004
Re: S110 Liquidation - Statement of Solvency

On Thursday the board will be required to swear a "Declaration of Solvency" in respect of NewScreen Media Group Plc in which you:

"do solemnly and sincerely declare that we have made a full enquiry into the affairs of this company, and that, having done so, we have formed the opinion that this company will be able to pay its debts in full together with interest at the official rate within a period of months, from the commencement of the winding up."

For your assistance I have attached a copy of the declaration documentation along with a statement of affairs, as at 17 May 2004, including illustrative "estimated amounts to realise". In addition to my observations noted below the board needs to consider other matters, including but not limited to your recent discussions/meetings with both Mishcon de Reya, in respect of Chris Jones, and Shukri Ghalayini, in respect of the proposed Four Point acquisition, which may significantly impact upon the financial position of the company, including its ability to realise significant sums from its inter company debts with NewScreen Licensing and NewScreen Entertainment.

Assets**1. Tangible Fixed Assets - £55,655**

This includes a second hand Mercedes E Class, which cost £32,000, and fixtures, fittings and equipment. I have assumed £25,000 could be obtained from the disposal of the Mercedes and £5,000 from the disposal of the other assets.

I would not expect that these assets will need to be disposed of, but rather that they will be transferred to NSMG (2004) Plc at their net book value.

✓
CORRECT.

2. Other Debtors - £15,500

This comprises of a deposit in respect of the Chesterfield office of £12,000, an excess payment to Cobbetts Lee Crowder of £1,500 in respect of the deposit and an advance of £2,000 to me in respect of expenses incurred.

As with the fixed assets I would expect this to be transferred in full to NSMG (2004) Plc. ✓

3. KPMG - £385,000

On 4 March 2004 KPMG indicated that they expected a surplus of between £300,000 and £350,000 on the Administration and this sum would be refunded via Mishcon de Reya, since which they verbally increased this to £385,000.

valuation
exercise

However, the timing of and the exact sum to be refunded are not certain and it may be a number of months away yet. I would therefore expect this to be transferred in to NSMG (2004) Plc. I would propose to restrict the "estimated to realise" figure to the lower end of KPMG's documented expectations (£300,000). ✓

4. HMC&E - £96,233

This includes £86,553 receivable in respect of the quarter ended 30 April 2004, which should be received in May/June, and a further £9,680 accrued during May. I do not envisage any issues with the collection of these funds.

received £6
long ->
✓ passed
over
to

5. Bank Balances - £764,744

These currently stand at £764,744 after paying the May wages, as agreed by the board. This figure includes some £399,789 relating to funds for which shares are yet to be issued, including £302,144 for which Capita advised us they have received form A documentation supporting the transfer of payments from the Just Action Group to NewScreen Media Group, £91,807 for which there is no documentation and therefore potentially repayable and a further £5,838 of interest which requires transferring to our general account.

need
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to

I would propose that the sum of £91,807 is added to creditors to reflect this potential refund. >

profit

Liabilities

Purchase ledger balances currently total £179,060 in addition to which additional fees of circa £212,684 are estimated to have been incurred but not invoiced. The sum of £13,286 is payable in respect of the May PAYE/NIC, a total of £405,030.

A schedule of purchase ledger balances and accruals is attached hereto for the board to review for its completeness, particularly with regard to any agreements which the board may have entered into with both Deloitte's and Cobbetts Lee Crowder in light of the current negotiations with Four Point, and the status of other potential claims such as that of Chris Jones.

Any pre approval $\frac{£1m}{}$
Take note

Based upon discussions with Geoffrey Martin & Co a provision of £150,000 is required to cover the liquidator's costs, related legal costs and two circulars to shareholders at £25,000 per time.

Including the provision of £91,807 in respect of potential shareholder refunds (see bank balances note) Liabilities, excluding Loan Notes, are therefore assumed to be circa £646,837. ✓

With regard to the Loan Notes the statement of net assets includes these at a value of £2,886,332, as reflected in the unaudited accounts of NSMG. As of 17 May 2004, Loan Notes to the value of £2,487,643 have been issued, in addition to which a further £70,000 are expected to be issued jointly, to Wilf and Paula Shorrocks, £35,080 to Barbara Marshall and circa £10,000 to former employees, a total of £2,602,723. Of this some £190,051 relates to inter company balances which it is expected will be cancelled along with the refund of monies from KPMG, reducing this figure to £2,412,672.

Loan Notes of this level would require an initial capital repayment of £603,168 on 2 August 2005 along with interest of circa £23,600 on 2 August 2004 and £72,400 on 2 August 2005, a total of £699,168 within the next 15 months.

There are also ongoing negotiations with Universal which may result in the cancellation of their Loan Notes to the value of £205,898, which would correspondingly reduce the inter company debt.

The board, or Brian as its financial representative, will need to discuss the Statement of Solvency with John Twizell of Geoffrey Martin & Co (0113 244 5141) ahead of the meeting / sign off on Thursday.

Please do not hesitate to call me if you wish to discuss this or if you require copies of any supporting documentation.

Regards

Graham Calderbank

Company Secretary

NewScreen Media Group Plc

Draft Statement of Affairs (18 May 2004)

	17.5.04 Book value £	Adjustments £	Statement of Solvency £	Estimated to realise £
Assets:-				
Tangible Fixed Assets				
Motor Vehicle	30,666	0	30,666	28,000
Fixtures, Fittings & Equipment	24,989	0	24,989	5,000
Other Debtors				
Deposits (Chesterfield Office)	13,500	0	13,500	13,500
Expenses Prepaid	2,000	0	2,000	2,000
Due from Administrators	385,000		385,000	300,000
Cash at Bank and in hand	784,858	-20,112	764,744	784,858
HMC&E	96,233	0	96,233	96,233
	1,337,244	-20,112	1,317,132	1,228,589
Investments				
NewScreen Licensing Limited	220,000	0	220,000	0
NewScreen Entertainment Limited	2	0	2	0
Lime Tv	2	0	2	0
Inter Company				
NewScreen Licensing Limited	8,637,392	-7,500,000	1,037,392	1,037,392
NewScreen Entertainment Limited	9,414,383	-7,500,000	1,914,383	1,914,383
Lime Tv	239,727	0	239,727	0
	19,748,730	-15,020,112	4,728,618	4,178,344
Liabilities:-				
Purchase ledger control	-179,060		-179,060	-179,060
Paye /NIC	-11	-13,275	-13,266	-13,266
Pension	-312		-312	-312
Creditors & Accruals				
Costs of liquidation	-212,884	-150,000	-212,884	-212,884
Provision re share refunds		-91,807	-91,807	-91,807
Long term Liabilities				
Loan Notes	-2,886,332		-2,886,332	-2,886,332
	-3,278,399	-255,082	-3,533,481	-3,533,481
Estimated Surplus	16,470,331	-15,275,104	1,195,137	644,863

(? Jones)

Section 89 (3)
The Insolvency Act 1986
Members Voluntary Winding Up
Declaration Of Solvency
Embodying a Statement of
Assets & Liabilities

Form 4.70 contd

Company No 02870308
Name of Company Newscreen Media Group plc
Presented by Hilary David Clement, Brian Charles Downs and John Brian Procter

DECLARATION OF SOLVENCY

We

Hilary David Clement of Applecroft, Broome, Stourbridge, West Midlands, DY9 0HA, Brian Charles Downs of Imperial House, North Street, Bromley, Kent, BR1 1SD and John Brian Procter of Thornhill, Clint, Harrogate, North Yorkshire, HG3 3DS.

being all of the directors of

Newscreen Media Group plc

do solemnly and sincerely declare that we have made a full enquiry into the affairs of this company, and that, having done so, we have formed the opinion that this company will be able to pay its debts in full together with interest at the official rate within a period of ¹² months, from the commencement of the winding up.

(twelve)

We append a statement of the company's assets and liabilities as at 20 May 2004 being the latest practicable date before the making of this declaration.

We make this solemn declaration, conscientiously believing it to be true, and by virtue of the provisions of the Statutory Declarations Act 1835.

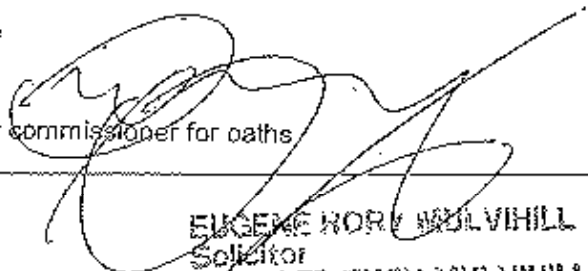
Declared at 1, CITY SQUARE, LEEDS, LS1 2AL

Date 20TH MAY 2004

Signature(s) of person(s)
making declaration

Before me

Solicitor or commissioner for oaths


EUGENE NORV MULVIHILL
Solicitor
SPENCER EWIN MULVIHILL
Solicitors
4 LISBON SQUARE
LEEDS LS1 4LY

ASSETS & LIABILITIES

Estimated to Realise
or to rank for payment
£

ASSETS

Motor vehicles	25,000
Fixtures, fittings & equipment	5,000
Debtors - NewScreen Licensing Limited	1,037,392
- NewScreen Entertainment Limited	1,914,363
- other	315,500
Cash at bank	748,172
HMC&E - vat refund	99,733
Estimated realisable value of assets	4,145,160

LIABILITIES


Trade creditors	165,876
Paye/Nic	13,286
Pension contributions	312
Accruals and provisions	304,491
Loan note holders	2,886,332

Estimated cost of liquidation & expenses including interest accruing until payment of debts in full 130,000

Estimated surplus after paying debts in full 644,863

Remarks

THIS IS THE STATEMENT
REFERRED TO.


EUGENE RORY MULVIHILL
Solicitor
SPENCER EWIN MULVIHILL
Solicitors
4 LISBON SQUARE
LEEDS LS1 4LY