

## **2. Price**

**2.1** Subject to due diligence, the Buyer will pay an aggregate price of £6,000,000.00 for the Shares ("Price").

**2.2** The Price will be satisfied by:

**2.2.1** the payment of £4,000,000.00 in cash on completion of the Proposed Transaction ("Completion");

**2.2.2** the payment of £1,000,000.00 on the date that is 12 months after Completion ("First Deferred Payment Date"); and

**2.2.3** the payment of £1,000,000.00 on the date that is 24 months after Completion ("Second Deferred Payment Date").

**2.3** The Buyer will pay interest to the sums payable in accordance with paragraphs 2.2.2 and 2.2.3 ("Deferred Consideration").

Such interest shall be payable in respect of (1) the period from Completion up to and including the First Deferred Payment Date ("Test Period 1") and (2) the period from the day after the First Deferred Payment Date up to and including the Second Deferred Payment Date ("Test Period 2") only.

Such interest shall be calculated at the rate of ¼% per annum for every 1% increase in the turnover of the Target during Test Period 1 or Test Period 2 (as applicable) on the balance of the Deferred Consideration then outstanding.

**Example 1:** If the turnover of the Target increases by 10% in Test Period 1 (measured against the turnover of the Target in the 12 months up to Completion), interest will be payable at the rate of 5% per annum on the balance of the Deferred Consideration then outstanding.

**Example 2:** If the turnover of the Target increases by 10% in Test Period 2 (measured against the higher of the turnover of the Target in the 12 months up to Completion or in Test Period 1), interest will be payable at the rate of 5% per annum on the balance of the Deferred Consideration then outstanding.

Such interest shall be payable annually in respect of each of Test Period 1 and Test Period 2 within 5 Business Days of the turnover of the Target for the relevant Test Period being agreed or determined.

**2.4** The Share Purchase Agreement will contain appropriate non-circumvention provisions (such as not to divert turnover away from the Target), as well as appropriate default provisions and provisions for accelerated payments in events of default.

**2.5** Systems Technology (S.E.) Limited (CRN: 02330639) will provide a guarantee of the Buyer's obligations in respect of the Deferred Consideration including interest.

**2.6** The Target is being acquired on a cash free/debt free basis, assuming a normalised level of working capital (to be determined by agreement between the Buyer and the Sellers during due diligence). As a result, the Price may be adjusted up or down on the basis of completion accounts by reference to the cash, debt and working capital in the Target at Completion.

**2.7** The Price will be paid to the Sellers in proportion to their respective holdings of the Shares (subject to paragraph 1.3 above).

## **3. Conditions**

**3.1** The Proposed Transaction is conditional on the following matters:

**3.1.1** the Buyer conducting, and being satisfied with the results of, legal, financial, taxation and commercial due diligence concerning the Target and its business, assets and liabilities and any other matters the Buyer considers necessary, including its review of all documentation relating to the Scheme, the contracts of employment of the EMI Shareholders and the documentation for the redemption of Preference Shares in 2017;

**3.1.2** the Target redeeming the Preference Shares to the Buyer's satisfaction;

**3.1.3** the parties agreeing, signing and exchanging a detailed and legally binding share purchase agreement incorporating all the terms of the Proposed Transaction ("Share Purchase Agreement"), including (without limitation) the matters set out in paragraph 5;

**3.1.4** the Buyer and the EMI Shareholders agreeing, signing and exchanging the Minority SPA;

**3.1.5** approval of the Proposed Transaction by the board of directors of the Buyer;

**3.1.6** any third party, regulatory or tax consents or approvals necessary or desirable for the Proposed Transaction being received on terms reasonably satisfactory to the Buyer and such consents and approvals remaining in full force and effect;

**3.1.7** there being no material adverse change in the business, operations, assets, position (financial, trading or otherwise), profits or prospects of the Target between the date of these heads of terms and Completion;

- 7.7 The Buyer will notify the Sellers promptly in writing if, during the Exclusivity Period, it decides against proceeding with the Proposed Transaction, or wishes to withdraw from negotiations in relation to the Proposed Transaction, whereupon the Sellers' undertakings in paragraphs 7.4 and 7.6 shall immediately cease (without prejudice to any right or remedy in connection with any outstanding breach)
- 7.8 The Sellers acknowledge that the Buyer will incur significant costs, fees and expenses in reliance on the undertakings in this paragraph 7. Accordingly, if the Sellers (or any of them) breach any of those undertakings and wholly or largely as a result thereof Completion does not take place, the Sellers will (without prejudice to any other rights or remedies that the Buyer may have) indemnify the Buyer for an amount equal to all reasonable and properly incurred costs, fees, disbursements and expenses (including in each case any applicable VAT) which will be incurred by the Buyer in connection with its investigation, evaluation and negotiation of the Proposed Transaction, subject to an aggregate amount of £100,000.00.
- 7.9 Without prejudice to any other rights or remedies that the Buyer may have, the Sellers acknowledge and agree that damages alone would not be an adequate remedy for any breach of the undertakings in this paragraph 7 and the Buyer will be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of such undertakings.
- 7.10 The Sellers' obligations in this paragraph 7 are undertaken on a joint and several basis and any reference to the Sellers includes any one or more of them.

#### 8. Confidentiality

- 8.1 This paragraph 8 is legally binding.
- 8.2 The content of these heads of terms is confidential to the parties.

#### 9. Costs

- 9.1 This paragraph 9 is legally binding.
- 9.2 Subject to paragraph 7.8, the parties will pay their own costs and expenses incurred in connection with the Proposed Transaction whether or not it proceeds to Completion, including (without limitation) any costs and expenses relating to the preparation and negotiation of these heads of terms and any other documents contemplated by them.

#### 10. Governing law and jurisdiction

- 10.1 This paragraph 10 is legally binding.
- 10.2 These heads of terms and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with them or their subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.
- 10.3 The Buyer and the Sellers irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with these heads of terms or their subject matter or formation.

Please sign and return the enclosed copy of these heads of terms as soon as possible to confirm your agreement to the above.

Yours faithfully,



Director, duly authorised for and on behalf of

**Systems Technology (Holdings) Limited**

We confirm our agreement to the above heads of terms.

Signed:   
By Neal John Grayston

Date: 8/6/18

Signed:   
By Sheralee Grayston

Date: 8/6/18