

4043759

DATED

31st Dec

2004

(1) TOWERGATE UNDERWRITING LIMITED

- and -

(2) AGRICULTURAL INSURANCE UNDERWRITING AGENCIES LIMITED

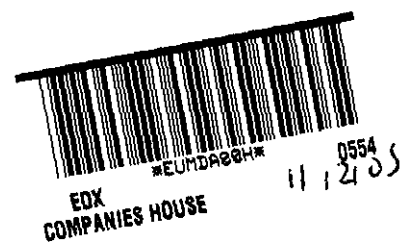
- and -

(3) TOWERGATE UNDERWRITING GROUP LIMITED

AGREEMENT

relating to

the sale and purchase of the business of
Agricultural Insurance Underwriting
Agencies Limited



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THIS AGREEMENT is made on

31st Dec 2004

2004

BETWEEN

- (1) **TOWERGATE UNDERWRITING LIMITED** (company number 3405221) whose registered address is at Towergate House, 2 County Gate, Stacey's Street, Maidstone, Kent ME14 1ST ("**TUL**");
- (2) **AGRICULTURAL INSURANCE UNDERWRITING AGENCIES LIMITED** (company number 1434490) whose registered office is at Towergate House, 2 County Gate, Stacey's Street, Maidstone, Kent ME14 1ST ("**Vendor**"); and
- (2) **TOWERGATE UNDERWRITING GROUP LIMITED** (company number 04043759) whose registered office is at Towergate House, 2 County Gate, Stacey's Street, Maidstone, Kent ME14 1ST ("**Purchaser**").

BACKGROUND

- A The Vendor and the Purchaser are wholly-owned subsidiaries of TUL.
- B The Group has undergone a restructuring which resulted in all core businesses being consolidated within the Purchaser, which will be subject to regulation by the Financial Services Authority from 15 January 2005. In order to maintain this structure and to comply with obligations arising under the banking facilities of the Group, any company subsequently becoming part of the Group following completion of such restructuring is required to transfer to its business to the Purchaser.
- C Following advice from the auditors of the Group and in furtherance of the consolidation policy, the Vendor has agreed to sell and the Purchaser has agreed to purchase the business, goodwill and assets of the Vendor. TUL has agreed with the Purchaser that it shall subscribe for certain shares in the share capital of the Purchaser and that the subscription monies payable by TUL to the Purchaser in respect of the said subscription shall be satisfied by the assumption by TUL of the obligation of discharging the indebtedness of the Purchaser to the Vendor in relation to consideration payable by the Purchaser to the Vendor pursuant to the terms of this agreement.

IT IS HEREBY AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"AIUA Properties" means together the leasehold properties occupied by the Vendor and known as:

- (i) Unit 1, Grove Park Court, Harrogate, North Yorkshire;
- (ii) Unit 8, Grove Park Court, Harrogate, North Yorkshire; and
- (iii) 12 Car Parking Spaces, Grove Park Court, Harrogate, North Yorkshire

(and each of them being an "AIUA Property")

"Assets" means (other than the Goodwill) all the assets, contracts and rights owned or used in connection with the Business to be sold and purchased hereunder and as referred to in clause 2.2.

"Business" means the specialist insurance underwriting and/or broking business carried on by the Vendor.

"Business Day" means a day other than a Saturday or Sunday on which banks are open for business in London.

"Business Names" means the trading names "AIUA" and "Agricultural Insurance Underwriting Agencies" used by the Business at the Effective Time.

"Completion" means completion of this agreement in accordance with its terms.

"Completion Accounts" means the balance sheet of the Vendor prepared as at 11.58pm on 31 December 2004.

"Completion Date" means 31 December 2004.

"Computer System" means all the information technology systems of the Vendor (including all systems, software, the server and all hardware) used for the benefit of the Business.

"Consideration" means the consideration payable for the Assets and the Goodwill as set out in clause 3.

"Contracts" means (other than the Lease Contracts) all the contracts entered into by the Vendor solely in connection with the Business and subsisting but uncompleted or ongoing (including contracts part performed and those not commenced) at the Effective Time.

"Effective Time" means at 11.59 pm on 31 December 2004.

"Employees" means those employees of the Vendor engaged in the Business whose employment is to be transferred to the Purchaser and whose names are set out in schedule 1.

"Goodwill" means the goodwill of the Business as and from the Effective Time together with the exclusive rights of the Purchaser to represent itself as carrying on the Business in succession to the Vendor as and from the Effective Time.

"Group" means TUL and any parent company of TUL and any company which is a subsidiary undertaking of such holding company from time to time and references to a **"member of the Group"** or a **"Group member"** shall be construed accordingly.

"Leases" means the leases of the AIUA Properties vested in the name of the Vendor.

"Lease Completion Date" means (in respect of each AIUA Property) the third Business Day following the consent of the landlord of such AIUA Property to the assignment of the Lease relevant thereto to the Purchaser (or another member of the Group).

"Lease Contracts" means the lease and hire purchase agreements entered into by or on behalf of the Vendor solely in connection with the Business and subsisting at the Effective Time.

"Liabilities" means all debts and liabilities of the Vendor both actual and contingent as at the Effective Time arising solely in connection with the Business, the Assets and the Employees including but not limited to the aggregate amount owed to trade creditors and other creditors of the Business as at the Effective Time.

"Loose Plant and Equipment" means the Computer System, peripheral equipment, computer programs, technical and other documentation and data entered into or created by the Vendor at or prior to the Completion Date and all other loose plant and equipment, machinery, furniture, trade utensils and other chattels owned or used in connection with the Business at the Completion Date (but excluding any such items which are leased or hired under the terms of any of the Lease Contracts).

"Ordinary Shares" means the ordinary shares of £1 each in the capital of the Purchaser.

"Records" means the VAT Records and all other records (whether in machine readable or written form) held and maintained by the Vendor and relating to the Business, the Assets and/or the Employees.

"Regulations" means the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended).

"Taxation" or **"Tax"** means any form of taxation, duty, impost, levy, tariff of any nature whatsoever (including for the avoidance of doubt IPT), whether of the United Kingdom or elsewhere, whether or not any such taxation, duty, impost, levy or tariff arises in respect of actual, deemed, gross or net income, profits, gains, value, receipt, payment, sale, use, occupation, franchise, value added property or right and includes, without limitation, any withholding amount subject to PAYE or other amount of or in respect of any of the foregoing payable by virtue of any Tax Statute and any penalty, charge, surcharge, fine or interest payable in connection with any such taxation, duty, impost, levy or tariff.

"Valuation Report" means the report dated on or around the date hereof produced by Lexicon to determine the value of the Goodwill as at the Effective Time.

"VAT" means value added tax.

"VAT Records" means the VAT records of each Business required to be preserved pursuant to Section 49(1)(b) of the Value Added Tax Act 1994.

- 1.2 Words incorporating the masculine gender also include the feminine and neuter genders and words incorporating the singular number also include the plural and vice versa.

1.3 Unless otherwise stated references to clauses and schedules are to the clauses and schedules of and to this agreement. The schedules form part of this agreement.

1.4 The index and clause headings are for ease of reference only and do not affect the construction or interpretation of this agreement.

1.5 The "**agreed form**" in relation to a document means the form agreed between the parties to this agreement and for the purposes of identification only initialled by or on behalf of the parties.

2. SALE AND PURCHASE OF BUSINESS

2.1 The Vendor shall sell with full title guarantee and the Purchaser shall purchase the Business as a going concern together with all of the Assets and the Goodwill on and with effect (other than the AIUA Properties) from the Effective Time.

2.2 The Assets comprised in the sale and purchase hereby agreed are as follows:

2.2.1 the benefit but subject to the burden thereof of the Contracts and the Lease Contracts;

2.2.2 the Loose Plant and Equipment;

2.2.3 (from the Lease Completion Date relevant thereto) each AIUA Property;

2.2.4 all the book and other debts arising out of or attributable to the operation of the Business owed to the Vendor at the Effective Time including the right to receive payment for services rendered before the Effective Time but not invoiced before such date;

2.2.5 the Records; and

2.2.6 all cash in hand (including uncleared cheques) and at bank (whether on current account or deposit account) and all cash of the Vendor in connection with any of the Business deposited with third parties.

3. CONSIDERATION

- 3.1 The consideration payable for the Assets shall be a sum equal to the aggregate book value of the Assets less the aggregate book value of the Liabilities in each case as shown in the Completion Accounts.
- 3.2 The consideration payable for the Goodwill shall be £15,000,000 as determined by the Valuation Report, such sum representing the market value of the Goodwill as at the Effective Time.
- 3.3 The Consideration shall remain outstanding on inter-company loan account repayable on demand.
- 3.4 TUL has agreed with the Purchaser that it shall subscribe (in accordance with the provisions of clause 3.5) for such number of Ordinary Shares as shall have an aggregate nominal value equal to the Consideration. The subscription monies payable by TUL to the Purchaser for the said subscription shall be satisfied by the assumption by TUL of the obligation to discharge the indebtedness of the Purchaser to the Vendor in respect of the payment of the Consideration.
- 3.5 The Ordinary Shares referred to in clause 3.4 shall be allotted and issued credited as fully paid on the following dates:
- 3.5.1 15,000,000 Ordinary Shares on the Completion Date; and
- 3.5.2 the balance of the Ordinary Shares within 30 Business Days of the finalisation of the Completion Accounts.
- 3.6 No amount shall be payable or liability shall be owing by the Purchaser to the Vendor under any provision of this agreement to the extent such liability has been provided for in the Completion Accounts.

4. LIABILITIES

On and with effect from the Effective Time, the Purchaser shall pay, satisfy and discharge the Liabilities and shall indemnify and hold harmless the Vendor from and against all and any costs, proceedings, claims, damages, demands and other liabilities of whatsoever nature which may be incurred or suffered by the Vendor in connection therewith.

5. COMPLETION

Completion of the sale and purchase of the Business, the Assets and the Goodwill shall (save for the AIUA Properties) take place on the Completion Date (but with effect from the Effective Time) whereupon the Vendor shall:

- 5.1 insofar as it is able to do so permit the Purchaser to assume the conduct of the Business and deliver to the Purchaser or allow the Purchaser to take possession of those of the Assets title to which is capable of passing by delivery;
- 5.2 deliver to the Purchaser:
 - 5.2.1 duly executed assignments in the agreed form together with such other documents as the Purchaser may reasonably require to perfect its title to the Assets and any of them;
 - 5.2.2 all National Insurance contributions and PAYE records duly completed and up to date in respect of the Employees; and
 - 5.2.3 the Records.
- 5.3 On the Completion Date but with effect on and from the Effective Time the Vendor hereby assigns to the Purchaser with full title guarantee absolutely its entire property, right, title and interest in and to:
 - 5.3.1 the Goodwill;
 - 5.3.2 the benefit (subject to the burden arising in respect of all periods on and after the Effective Time) of the Lease Contracts; and
 - 5.3.3 the benefit (subject to the burden arising in respect of all periods on and after the Effective Time) of the Contracts.
- 5.4 On the Completion Date the Purchaser shall allot to TUL the Ordinary Shares referred to in clause 3.5.1.
- 5.5 The Vendor and the Purchaser will cause appropriate entries to be made in their respective accounting records to reflect the sale and purchase of the Business, the Assets and the Goodwill hereunder including the discharge of the Consideration pursuant to clause 3.

- 5.6 Notwithstanding the sale and purchase of the Goodwill hereunder, the Vendor shall not be obliged to change its name from its existing corporate name to a name excluding any Business Name other than pursuant to clause 15.

6. APPORTIONMENTS

- 6.1 All rents, rates, gas, water, electricity and telephone charges and other periodic outgoings relating to or payable in respect of the Business shall be apportioned between the Vendor and the Purchaser such that the Vendor shall be responsible for the same insofar as they relate to the period prior to the Effective Time and the Purchaser shall be responsible for such charges thereafter.
- 6.2 The Vendor acknowledges on and from Completion that with effect from the Effective Time, to the extent it has carried on the Business, it has done so as trustee for and on behalf of the Purchaser.

7. CONTRACTS

Insofar as the benefit of any of the Contracts, Lease Contracts or Assets cannot effectively be transferred to the Purchaser (whether by assignment, novation or otherwise) without the consent of a third party and such consent has not been obtained at or prior to Completion:

- 7.1 the Vendor shall use all reasonable endeavours to obtain such consent as soon as practicable;
- 7.2 unless and until any such Contract has been transferred to the satisfaction of the Purchaser the Purchaser shall, for its own benefit and to the extent that the Contract in question permits, perform on behalf of the Vendor (but at the Purchaser's expense) all the Vendor's obligations and the Vendor will co-operate with the Purchaser (at the Purchaser's expense) in any reasonable arrangements designed to provide for the Purchaser the benefits under any such Contracts including the enforcement of any and all rights of the Vendor thereunder;
- 7.3 the Purchaser shall indemnify and keep indemnified the Vendor from and against all claims, costs, demands and liabilities of whatsoever nature in connection with such contracts whether such claims relate to events which occurred prior to the Effective Time or thereafter to the intent that the Vendor as and from the Effective Time shall be freed and discharged from the said Contracts;

- 7.4 the Purchaser shall if so requested by the Vendor enter into novation agreements with the other parties to any of such contracts to the intent that thenceforth the Purchaser shall be in a direct contractual relationship with such other parties and the Vendor's obligations in respect of such contracts shall be at an end.

8. VALUE ADDED TAX

- 8.1 The Vendor and the Purchaser recognise that the various considerations set out in this agreement are exclusive of value added tax ("VAT") as the parties apprehend that the sale of the Assets is a supply of goods to which the provisions of article 5 of the Value Added Tax (Special Provisions) Order 1995 apply and both the Vendor and the Purchaser are taxable persons within the meaning of the Value Added Tax Act 1994. The Vendor and the Purchaser shall procure that their value added tax returns and dealings with HM Customs & Excise are consistent with this view.
- 8.2 In the event that demand is made upon the Vendor by HM Customs & Excise for VAT in respect of any supply of the Assets the Consideration payable by the Purchaser shall be increased by a sum equal to the VAT so demanded ("VAT payment").
- 8.3 The Purchaser shall make payment of the VAT payment on the later of:
- 8.3.1 the Business Day following the date of the receipt by the Purchaser of VAT invoices from the Vendor in respect of the VAT payment; and
 - 8.3.2 the Business Day before the date on which the Vendor is obliged by law to account for output tax to HM Customs & Excise in respect of supplies made under this agreement.
- 8.4 If HM Customs & Excise determine that article 5 of the Value Added Tax (Special Provisions) Order 1995 does not apply to any supply made pursuant to this agreement, the Purchaser shall indemnify the Vendor against any interest penalty or surcharge howsoever arising.

9. ACCESS TO THE COMPUTER SYSTEM ON AND FROM THE COMPLETION DATE

- 9.1 From the Completion Date, the Purchaser shall maintain the Computer System at each relevant AIUA Property and shall allow access to the Computer System by the Vendor at such AIUA Property during normal business hours.
- 9.2 The Vendor shall indemnify the Purchaser in full for and against all claims, costs, expenses or liabilities whatsoever and howsoever arising, incurred or suffered by the Purchaser or resulting from the performance of its obligations pursuant to clause 9.1.

10. THE AIUA PROPERTIES

- 10.1 The conditions applicable to the sale of each of the AIUA Properties are set out in schedule 2 but otherwise:
- 10.1.1 actual completion of the sale and purchase of each AIUA Property shall take place on the Lease Completion Date relevant thereto (but with effect from the Effective Time); and
- 10.1.2 each AIUA Property shall on and with effect from the Lease Completion Date relevant thereto be sold free of all and any charges or claims in favour of any third party (save as specifically set out in the relevant Lease) and the Vendor shall deliver up vacant possession of such AIUA Property on the Lease Completion Date relevant thereto.
- 10.2 From the Completion Date the Purchaser shall be permitted to occupy the AIUA Properties on the following conditions:
- 10.2.1 such right of occupation shall be personal to the Purchaser as licensee only and shall not operate or be deemed to operate as a grant of a tenancy no exclusive occupation of the AIUA Properties being hereby granted;
- 10.2.2 during the period of occupation as licensee which will (in respect of each AIUA Property) expire automatically on the Lease Completion Date relevant thereto the Purchaser will:
- 10.2.2.1 pay to the Vendor a licence fee equal to the aggregate sum expressed to be payable by way of rent and other sums due

under the Lease such sum to be payable on the same date as such sums are due from the Vendor under the Lease and shall in addition thereto on production of the appropriate invoices pay or as the case may be reimburse to the Vendor all amounts due in respect of rates, community charges, water rates, electricity, gas, telephone, insurance, service charges and all other outgoings at the AIUA Property and so that if the Vendor shall have made any payment in respect of such outgoings for a period covering both before and after the Effective Time then the Purchaser shall pay to the Vendor the amount thereof apportioned on a daily basis to the period after the Effective Time; and

10.2.2.2 be deemed to be subject to and will comply with the same exceptions, reservations, covenants and conditions and provisions as are contained in the Lease so far as they are capable of applying to occupation under a licence and are not inconsistent with the terms of this agreement;

10.2.3 the Purchaser shall indemnify the Vendor against all costs, claims and losses of whatsoever nature and howsoever arising out of or in connection with such occupation or whether directly or indirectly caused by or attributable to such occupation or any breach by the Purchaser of its obligations under this clause;

10.2.4 if the landlord of any AIUA Property shall give notice of objection to the occupation of such AIUA Property by the Purchaser to the Vendor the Vendor shall at the Purchaser's request and sole cost and subject to the prior receipt from the Purchaser of an indemnity in a form approved by the Vendor (and the Vendor shall procure that such approval is not to be unreasonably withheld or delayed) in respect of such costs make and diligently pursue an application to the Court for appropriate relief.

10.3 The Vendor will on the Lease Completion Date relevant to each AIUA Property hand to the Purchaser a licence to assign together with an assignment or transfer (the form of which both parties shall use reasonable endeavours to agree) or deed of release (as appropriate) in respect of any charges secured on such AIUA Property and the

Purchaser will procure the repayment to the Vendor of any amount paid by the Vendor to such AIUA Property by way of rent deposit or security.

11. BOOK AND OTHER DEBTS

All monies received by the Vendor in respect of book or other debts in relation to the Business on and from the Effective Time shall be received as trustee for the Purchaser and dealt with as the Purchaser may direct and the Vendor shall upon request by the Purchaser execute formal assignments in respect of any such book and other debts and join in with the Purchaser in giving the appropriate notice of assignment to the relative debtor or debtors.

12. INDEMNITY

The Purchaser shall indemnify and hold harmless the Vendor from and against all and any costs, proceedings, claims, damages, demands and other liabilities of whatsoever nature whensoever and howsoever arising (including the costs incurred in enforcing this indemnity plus any irrecoverable VAT) which may be incurred or suffered by the Vendor in relation to the Business, the Employees and/or the Assets following the Effective Time.

13. INSURANCE

The parties shall make all appropriate notifications to the insurers of the Business and the Assets in connection with the sale and purchase hereby agreed with a view to the continuation of the existing insurance cover if the Purchaser shall so request.

14. EMPLOYEES

14.1 The Vendor and the Purchaser acknowledge and agree that, pursuant to the Regulations, the contracts of employment between the Vendor and the Employees (except in so far as such contracts relate to any benefit under an occupational pension scheme within the meaning of section 1 of the Pensions Schemes Act 1993) will have effect after the Effective Time as if originally made between the Purchaser and the Employees.

14.2 All salaries, wages, bonuses and other emoluments and benefits, all statutory contributions and all income tax deductible under PAYE for which the Vendor is accountable and all other employment costs and holiday pay in respect of the Employees will be borne by the Purchaser from the Effective Time.

15. FURTHER ASSURANCE

15.1 Upon and at any time after Completion the Vendor shall at the request of the Purchaser do and execute or procure to be done and executed all such acts, deeds, documents and things as may be necessary to vest the title to the Business, the Assets and the Goodwill in the Purchaser and to give full effect to this agreement including without limitation at the request of the Purchaser changing its corporate name and subsequently not using any name or names identical or similar to the Business Names (or either of them) or any colourable imitation thereof.

15.2 The Vendor shall pass on to the Purchaser all enquiries received by it following Completion in respect of the Business within 10 Business Days of receipt.

16. ANNOUNCEMENTS

No announcement, communication or circular in connection with the subject matter of this agreement shall be made (whether prior to or after the Effective Time) by or on behalf of the Vendor or the Purchaser without the prior approval of the other (such approval not to be unreasonably withheld or delayed) save for:

16.1 announcements to employees, customers, suppliers and agents of the Purchaser and the Business in such form as may be reasonably required by the Purchaser; and

16.2 such announcements as may be required by the London Stock Exchange plc or the Panel on Takeovers and Mergers.

17. COSTS

Each of the parties shall bear and pay its own legal, accountancy and other fees and expenses of and incidental to the preparation and implementation of this agreement and all other documents in the agreed form referred to herein.

18. SUCCESSORS AND ASSIGNMENT

18.1 This agreement shall be binding upon and enure for the benefit of each party's personal representatives and successors in title.

18.2 All rights and benefits under this agreement are personal to the parties and may not be assigned at law or in equity without the prior written consent of each other party save

that the Purchaser may assign the whole or any part of the benefit of this agreement to another member of the Group.

19. ENTIRE AGREEMENT

- 19.1 This agreement contains the entire agreement and understanding of the parties in connection with the subject matter thereof and supersedes and extinguishes all previous agreements between the parties relating to the subject matter hereof and all and any representations and warranties previously given and/or made other than those expressly set forth herein and also other than any misrepresentation or breach of warranty which constitutes fraud.
- 19.2 In particular (but without prejudice to the generality of the other provisions of this clause) each party acknowledges to the other (to the intent that the other shall execute this agreement in reliance upon such acknowledgement) that it has not been induced to enter into this agreement by nor relied upon any representation or warranty other than the representations and/or warranties expressly set forth in this agreement. This acknowledgement shall not apply to any misrepresentations and/or breaches of warranty which constitute fraud.
- 19.3 Without prejudice to the generality of the other provisions of this clause each party hereby irrevocably and unconditionally waives any right it may have to claim damages or to rescind this agreement by reason of any misrepresentation and/or warranty not set forth in this agreement (unless such misrepresentation and/or breach of warranty constitutes fraud).

20. AGREEMENT CONTINUES IN FORCE

This agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at Completion and notwithstanding that Completion shall have taken place.

21. SEVERABILITY

The invalidity, illegality or unenforceability of any provisions of this agreement shall not affect the continuation in force of the remainder of this agreement.

22. WAIVER

No waiver by the Purchaser of any breach or non-fulfilment by the Vendor of any provision of this agreement shall be deemed to be a waiver of any subsequent or other breach of that or any other provision hereof and no failure to exercise or delay in exercising any right or remedy under this agreement shall constitute a waiver thereof. No single or partial exercise of any right or remedy under this agreement shall preclude or restrict the further exercise of any such right or remedy. The rights and remedies of the Purchaser provided in this agreement are cumulative and not exclusive of any rights and remedies provided by law.

23. VARIATIONS

No variation of this agreement or any of the documents in the agreed form shall be valid unless it is in writing and signed by or on behalf of each of the parties hereto.

24. COUNTERPARTS

This agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument.

25. THIRD PARTY RIGHTS

A person who is not party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

26. GOVERNING LAW

This agreement shall be governed by and construed in accordance with English law and the parties hereby submit for all purposes in connection with this agreement to the exclusive jurisdiction of the English courts.

AS WITNESS the hands of the parties or their duly authorised representatives.

SCHEDULE 1

Employees

John Agnew
Eileen Babb
Jean Barker
Andrew Bell
Kenneth Borchard
Muriel Bovis
Kate Burton
Rachel Campbell
Sarah Charton
Katy Dukes
Christopher Favell
Diana Fox
John Furlong
Anthony Gelling
Andrea Gilliland
Stephen Gilliland
Joanna Goddard
Simon Hallam
Angela Hamilton
Alison Heffernan
Anne Herrington
Jonathan Hipkin
Carl Hoban
Ann Hood
Stephen Hopwood
Caroline Hudson
Philip Ibbetson
Lisa Ingleton
Susan Jackson
Doreen Jamieson
Eric Jessop
Elizabeth Johnson
Helena Johnson
Sharon Kilby
Emma Lancaster
Brenda Maw
Liz Moore
David Murray Wells
Mark Myers
James Newport
Susan Nicholson
Keith Noble
Andrew Oddy
Linda Plaxton
Stephen Riddell
Nicole Rothwell
Alison Seddon
Audrey Smith

Daisy Sohanpal
Andrew Sowden
Caroline Stanton
Tamsin Stentiford
Cora Streets
Karen Wake
Joanne Welburn
Graham Westerman
Tracey Westerman
Melanie Wilkinson
Rachel Wilson

SCHEDULE 2

Conditions applicable to the sale of each AIUA Property

Part A - Conditions of Sale

1. Each AIUA Property is sold subject to the following terms and conditions:
 - 1.1 the Purchaser shall accept the title of the Vendor to such AIUA Property as deduced subject to such rights, easements and encumbrances which may exist at the Lease Completion Date without enquiry or requisition provided always that such AIUA Property shall be transferred free from any security or encumbrance granted by the Vendor over such AIUA Property.
 - 1.2 In this schedule:
 - 1.2.1 the following expressions have the following meanings:

"Guarantor" means TUL;

"Reversioner" means the company, person or body entitled to the reversion expectant upon the term of the Lease (as the case may be);

"Standard Commercial Property Conditions" means the Standard Commercial Property Conditions (First Edition) and **"SCPC"** means Standard Commercial Property Condition;
 - 1.2.2 obligations entered into by any party which comprises more than one person shall be deemed to be joint and several;
 - 1.2.3 words importing persons shall include firms companies and corporations and vice versa;
 - 1.2.4 the headings to the clauses of and the schedules to this agreement are for reference purposes only and shall not affect its interpretation;
 - 1.2.5 references in this agreement to clauses and schedules are unless otherwise stated references to clauses of and schedules to this agreement.

2. THE LEASE

2.1 The Purchaser shall:

- 2.1.1 without delay do all things and provide such references and accounts and information as may be reasonably required by the Reversioner;
- 2.1.2 if so required by the Reversioner execute the licence or other deed containing a direct covenant by the Purchaser with the Reversioner to pay the rents reserved by the Lease and to perform and observe all the covenants and other obligations on the part of the tenant contained in the Lease;
- 2.1.3 provide or cause to be provided such security as may be reasonably required by the Reversioner so as to secure the obligations of the Purchaser to pay the rents reserved by the Lease and to perform and observe the covenants and other obligations on the part of the tenant contained in the Lease and if applicable any continuation, extension or renewal of the term Provided that the Purchaser shall not be required to provide more than the direct covenant with the Reversioner and (if reasonably required by the Reversioner) a guarantee of the obligations of the Purchaser by the Guarantor.

2.2 The Purchaser shall forthwith at its own expense use its reasonable endeavours to obtain the licence to assign including the commencing and prosecuting of court proceedings (including making appeals) and the Vendor will co-operate in that process and the Vendor will use its reasonable endeavours to assist in the grant of such licence to assign.

2.3 The Purchaser may not object to a licence granted subject to a condition:

- 2.3.1 which under section 19(1A) of the Landlord and Tenant Act 1927 is not regarded as unreasonable;
- 2.3.2 which is lawfully imposed under an express term of the Lease or this agreement.

2.4 The form of Reversioner's licence shall be first approved by the Vendor (such approval not to be unreasonably withheld or delayed).

2.5 The Vendor may if it thinks fit apply for and obtain upon such terms as it considers appropriate such Reversioner's licence and the Purchaser shall have the same obligations as aforesaid in relation thereto but the Vendor shall not be under an obligation to obtain the same.

2.6 On the Lease Completion Date relevant thereto the Vendor will complete the assignment of the Lease to the Purchaser which is presented to it for signature (in a form previously approved by the Vendor in writing such approval not to be unreasonably withheld) and:

2.6.1 the Vendor will hand to the Purchaser the Lease, assignment and other title documents;

2.6.2 the Vendor will provide to the Purchaser a deed of release of the Lease (or either of them) from any security affecting the same;

2.6.3 the licence to occupy granted to the Purchaser will automatically cease.

2.7 Fees and disbursements

The Purchaser shall on demand from the Vendor pay the reasonable fees and disbursements of the solicitors and the surveyors to the Reversioner in relation to any application for any licence necessary for the assignment and any matters incidental or pursuant thereto (whether or not such licence is granted).

3. MATTERS AFFECTING THE PROPERTY

3.1 Each AIUA Property is sold subject to and (where appropriate) with the benefit of:

3.1.1 the covenants, agreements, restrictions, stipulations, provisions, conditions and the other matters (if any) contained or referred to in the deeds and documents listed in part B of this schedule;

3.1.2 all local land charges and other matters whensoever registered or registrable (whether registered or not) by any local or other authority and to every charge, notice, direction, order, restriction, agreement, resolution, proposal, condition and other matter affecting such AIUA Property;

3.1.3 overriding interests (as defined in section 70(1) of the Land Registration Act 1925) or (where title to such AIUA Property is unregistered) matters which would be overriding interests if the title were registered;

3.1.4 any lease or document under which such AIUA Property is held;

3.1.5 all matters for which the Vendor would not be liable under any covenants for title.

3.2 The Purchaser shall be deemed to have notice of the matters referred to in clause 3.1 and shall not be entitled to raise any requisition or objection in respect of them.

4. SURVIVAL OF THIS AGREEMENT

Notwithstanding completion of the sale and purchase all the provisions of this agreement shall continue in full force and effect to the extent that any of them remains to be implemented.

5. STANDARD COMMERCIAL PROPERTY CONDITIONS

5.1 The Standard Commercial Property Conditions are incorporated in this agreement and where there is a conflict between them and any other provision of this agreement that other provision prevails.

5.2 In the construction of the Standard Commercial Property Conditions "contract rate" means a yearly rate equivalent to four percentage points above the base lending rate of The Royal Bank of Scotland plc for the time being in force calculated on a daily basis.

5.3 SCPC 3.1.3, 4.3.2, 4.5.2, 4.5.5 and 8.3 do not apply.

5.4 In SCPC 5.2.2(e) the words "or change the use" are added at the end.

5.5 SCPC 6.3.4 is amended to read "For the purposes of apportioning income and outgoings it is to be assumed that they accrue at an equal daily rate throughout the period to which they relate. In the case of annual rents (whether or not payable quarterly) this period is the period of 365 days (or 366 in a leap year)."

5.6 SCPC 6.8.2(b) is amended to read "in the case of the seller, even though a mortgage or charge remains secured on the property (except one to which the property is sold subject), if the seller would have been able to discharge it (to the extent that it

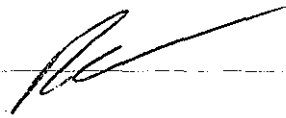
encumbers the property) on the date on which the notice is served had the sale been completed on that date."

Part B - Documents relating to the AIUA Properties

The Leases

SIGNED by
for and on behalf of
TOWERGATE UNDERWRITING
LIMITED

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)
)



SIGNED by
for and on behalf of
AGRICULTURAL INSURANCE
UNDERWRITING AGENCY
LIMITED

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)
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SIGNED by
for and on behalf of
TOWERGATE UNDERWRITING
GROUP LIMITED

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