

DATED

18th October

2006

THE SELLERS

(as defined)

and

LYCETTS HOLDINGS LIMITED

ACQUISITION AGREEMENT

in relation to

HYDRA HOUSE LIMITED



STRICTLY PRIVATE & CONFIDENTIAL

We certify that this is a true
copy of the original document

Watson Burton LLP

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THIS AGREEMENT is made on 18th October 2006

BETWEEN:-

- (1) **THOSE PERSONS** whose names and addresses are set out in Schedule 1 ("the Sellers" which expression includes their respective successors in title and personal representatives); and
- (2) **LYCETTS HOLDINGS LIMITED** (CRN:05866203) whose registered office is at Milburn House, Newcastle upon Tyne, NE1 1PP ("the Buyer" which expression includes its successors in title and assigns).

AND IT IS AGREED as follows:-

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement unless the context otherwise requires:-

2006 Adjusted Income means £3,047,490;

2007 Adjusted Income means the Adjusted Income during the 12 month period ending 30 April 2007 calculated in accordance with the figures and on the basis shown in the Adjusted Income Statement (2006/2007);

2008 Adjusted Income means the Adjusted Income during the 12 month period ending 30 April 2008 calculated in accordance with the figures and on the basis shown in the Adjusted Income Statement (2007/2008);

Accounts means the Company's audited annual accounts (as defined in section 262 CA 1985), in each case for the accounting reference period ended on the Accounts Date, including the notes to those accounts and the associated directors' and auditors' reports and any profit and loss account omitted in reliance on section 230(3) CA 1985;

Accounts Date means 31 March ;

Adjusted Income means the aggregate amount of brokerage, fees, profit commission and other trading income (excluding profit commissions earned in excess of £300,000 and the Highflyer Turnover) for the Business (excluding for the avoidance of doubt any Amlin Plus Limited turnover or income) together with:-

- (a) the Business's (or the Buyer's Group's as the case may be) share (calculated by reference to the percentage interest of the Business in the equity share capital of Amlin Plus Limited) of the Amlin Plus Profit/Loss; and
- (b) the Highflyer Profit/Loss;

Adjusted Income Statement (2006/2007) means statement of Adjusted Income for the 12 month period ending on 30 April 2007 to be prepared in accordance with clauses 4.3 to 4.10 and Schedule 6;

Adjusted Income Statement (2007/2008) means statement of Adjusted Income for the 12 month period ending on 30 April 2008 to be prepared in accordance with clauses 4.3 to 4.10 and Schedule 6;

Adjusted Income Statement Review Period has the meaning set out in clause 4.5;

Agreed Documents means this Agreement and all the documents in the Agreed Form referred to in it;

Agreed Form means in a form which has been agreed by the parties and which has been duly executed or initialled for identification by them or on their behalf;

Amlin Consent means the consent to the change of control of the Company, provided in writing by Amlin Underwriting Limited, as required pursuant to clause 10.5.3 of the Joint Venture Agreement dated 29 May 2003 (as amended) between the Company and Amlin Underwriting Limited;

Amlin Plus Limited means the company registered in England and Wales with registered number 04729659, which is a joint venture company between the Company and Amlin Underwriting Limited and of which the Company owns 40% of the issued equity share capital;

Amlin Plus Profit/Loss means the pre-tax profit/loss as extracted from the audited accounts of Amlin Plus Limited to 31 December together with management accounts for the period January to March inclusive in the relevant year, each of which has been calculated on the same basis and prepared in accordance with the same policies, applied consistently, as previous years;

Business means the insurance broking business and related activities (including the business of Highflyer), currently carried on by the Company and its Subsidiaries as at Completion and the insurance broking business and related activities which shall be carried on by the Company and its Subsidiaries as from Completion (whether or not such Business is transferred to the Buyer or its Subsidiaries);

Business Day means any day other than a Saturday, Sunday or public holiday in England and Wales;

Business Plan means the budgets setting out the expected cash flow for the 12 months following Completion for the Company and its Subsidiaries in the Agreed Form;

Business Information means Confidential Information relating to or used in the activities of the Company and its Subsidiaries;

Buyer Disclosure Letter means the letter and the documents contained within the bundle of documents forming part of the Buyer Disclosure Letter of the same date as this Agreement from the Buyer to the Share Sellers disclosing certain matters in

relation to the Warranties which has been delivered to the Share Sellers immediately prior to the execution of this Agreement;

Buyer's Group means post completion, the Buyer and its Subsidiaries other than the Company and its Subsidiaries;

Buyer's Solicitors means Watson Burton LLP of 1 St James Gate, Newcastle upon Tyne, NE99 1YQ (Ref: JMW);

Buyer Warranties means the warranties contained in Schedule 5 of the Deed of Warranty and Tax Covenant;

CA 1985 means the Companies Act 1985;

Cash Consideration means the sum of £1,494,180.62;

Company means Hydra House Limited details of which are set out in Schedule 2;

Completion means completion of the sale and purchase of the Sale Shares by the performance by the parties of their respective obligations under clause 7 and Schedule 4;

Completion Date means 18 October 2006;

Compromise Agreement means the compromise agreement in the Agreed Form to be entered into with effect from Completion between the Company and Joanna Sorrell;

Confidential Information means all information and records wherever located (including accounts, business plans and financial forecasts, Tax records, correspondence, designs, drawings, manuals, specifications, customer, sales and supplier information, technical or commercial expertise, software, formulae, processes, trade secrets, methods, knowledge and know-how) and which (either in their entirety or in the precise configuration or assembly of their components) are not publicly known or available and in each case whether or not recorded;

Consideration means the aggregate of (a) the Cash Consideration (b) the Initial Share Consideration and (c) the Deferred Share Consideration;

Consideration Shares means ordinary shares of one pence each in the capital of the Buyer to be allotted in each case at a value of £7.27 per share issued as fully paid up;

Contracts Act means the Contracts (Rights of Third Parties) Act 1999;

Covenantors means those Sellers identified as such in Schedule 1;

Customers means any person with whom or which the Business has dealt in the 12 months preceding Completion and to whom or which the Business had supplied Restricted Services;

Deed of Warranty and Tax Covenant means the deed of warranties and tax covenant in Agreed Form to be entered into from Completion between the Warrantors and the Buyer;

Deferred Share Consideration means the First Deferred Share Consideration plus the Second Deferred Share Consideration;

Domain Names means those domain names listed in Schedule 5;

Draft Adjusted Income Statements has the meaning set out in clause 4.4;

Enactment means any statute or statutory provision (whether of the United Kingdom or elsewhere), subordinate legislation (as defined by section 21(1) Interpretation Act 1978) and any other subordinate legislation made under any such statute or statutory provision;

Encumbrance means any option, trust, power of sale, title retention, pre-emption right, right of first refusal, Security Interest or other right, claim or interest, whether legal or equitable, of any third party (or an agreement or commitment to create any of them);

fairly disclosed has the meaning set out in the Deed of Warranty and Tax Covenant;

Final Dividend the dividend of 7p gross per share payable in respect of the Sale Shares to the Sellers in respect of the financial year to 31 March 2006;

Finally Determined means agreed between the relevant parties or determined by a court of competent jurisdiction against which there is no further right of appeal or under circumstances where an appellant party would not be entitled to appeal;

First Deferred Share Consideration means the sum of £374,840 adjusted in accordance with 4.1 and payable in Consideration Shares in accordance with clauses 3.3 and 3.4;

Group means in respect of any company, all companies of which that company is from time to time a Subsidiary and all Subsidiaries of that company and its Holding Companies from time to time;

Guarantee means any guarantee, indemnity, suretyship, letter of comfort or other assurance, security or right of set-off given or undertaken directly or by way of counter-indemnity by a person to secure or support the obligations (actual or contingent) of any third party;

Highflyer means Highflyer Bloodstock Agency Limited (CRN: 04236470) a wholly owned Subsidiary of the Company;

Highflyer Turnover means the aggregate amount of all trading income for Highflyer for the relevant period;

Highflyer Profit/Loss means the pre-tax profit/loss of Highflyer, which has been calculated on the same basis and prepared in accordance with the same policies, applied consistently, as previous years in the preparation of the audited accounts of Highflyer;

Holding Company means a holding company as defined by sections 736 and 736A CA 1985;

Hydra House Loan Stock means the outstanding £250,000 8% unsecured loan notes due 2007/2008 issued by the Company;

Income Multiple means a multiplying factor of 1.37;

Initial Share Consideration means the allotment of a total of 240,621 Consideration Shares;

Intellectual Property Rights means design rights, trade marks and service marks (in each case whether registered or not), patents, registered designs, copyright, moral rights, rights in databases, utility models and all similar property rights, whether registrable or not, including those subsisting (in any part of the world) in inventions, designs, drawings, performances, computer programs, Confidential Information, business or brand names, domain names, metatags, goodwill or the style of presentation of goods or services including applications for protection of any such rights;

Lycetts Reorganisation means the completion of the acquisition of Lycett, Browne-Swinburne & Douglass Limited by the Buyer;

Lycetts Resolutions means the resolutions of the Buyer in Agreed Form to be passed immediately prior to Completion;

New Lycetts Articles means the articles of association of the Buyer in Agreed Form to be adopted prior to Completion;

Nominated Account means Osborne Clarke Client Account, National Westminster Bank Plc, Bristol City Office, PO Box 238, Bristol, BS99 7UG Sort Code 56-00-05 Account Number 00708542 ref JMC/0907290;

Official Requirement means any Enactment, regulation directive, order or notice with legal or actual force in any geographical area and/or over any class of persons;

Prohibited Area means the United Kingdom, Ireland, Australia, France, the United States of America, the United Arab Emirates and all other countries where the Company's Group has actively carried out business in the 12 months immediately preceding the Completion Date;

Relevant Adjusted Income has the meaning set out in clause 4.6.3;

Relevant Authority means any person or authority (including any nation, national or local governmental or international organisation and any subdivision or agency or executive arm of any of them, any court or judicial officer or any securities exchange) with legal or de facto power to impose and/or enforce compliance with any Official Requirement;

Relevant Period means the period between Completion and payment of the Second Deferred Share Consideration in accordance with clause 4;

Replies to Enquiries means the written replies given by the Sellers' Solicitors to the Buyer's Solicitors in response to the Buyer's Solicitors written enquiries from time to time and which are annexed to the Disclosure Letter;

Restricted Services means:-

- (a) all services which are supplied by the Company and its Subsidiaries at the Completion Date and which relate either to insurance or to the provision bloodstock agency services; and
- (b) any other services which are of a type similar to and competing with any of the services referred to in paragraph (a) above;

Sale Shares means the ordinary shares of 10 pence each in the capital of the Company in each case as referred to in Schedule 2;

Second Deferred Share Consideration means the sum of £374,840 adjusted in accordance with clause 4.2 and payable in Consideration Shares in accordance with clauses 3.3 and 3.4;

Security Interest means a debenture, mortgage, lien, pledge, charge (fixed or floating), assignment by way of security, hypothecation or other security interest (or an agreement or commitment to create any of them);

Sellers' Notice Agent means Charles Hamilton or such other person as is appointed from time to time by a majority in number of the Warrantors, with written notice of such appointment being given to the Buyer;

Sellers' Solicitors means Osborne Clarke, Apex Plaza, Forbury Road, Reading, Berkshire, RG1 1AX (Ref: JMC/0907290);

Share Consideration means the Initial Share Consideration and the Deferred Share Consideration;

Share Sellers means those Sellers identified as such in Schedule 1;

Subsidiary means a subsidiary as defined by sections 736 and 736A CA 1985;

Tax has the meaning set out in the Deed of Warranty and Tax Covenant;

Trading Names means each of Hamilton, Hydra House and Highflyer;

VATA 1994 means the Value Added Tax Act 1994;

Vendor Warranties means the warranties contained in Schedule 2 of the Deed of Warranty and Tax Covenant;

Vendor Disclosure Letter means the letter and the documents contained within the bundle of documents forming part of the Vendor Disclosure Letter of the same date as this Agreement from the Warrantors to the Buyer disclosing certain matters in relation

to the Vendor Warranties which has been delivered to the Buyer immediately prior to the execution of this Agreement; and

Warrantors means those Sellers identified as such in Schedule 1.

1.2 In this Agreement unless the context otherwise requires:-

- 1.2.1 references to a clause or schedule are to a clause of, or a schedule to, this Agreement, references to this Agreement include its schedules and references in a schedule or part of a schedule to a paragraph are to a paragraph of that schedule or that part of that schedule;
- 1.2.2 references to this Agreement or any other document or to any specified provision in any of them are to this Agreement, that document or that provision as in force for the time being and as amended from time to time in accordance with their terms or, as the case may be, with the agreement of the relevant parties;
- 1.2.3 words importing the singular include the plural and vice versa, words importing a gender include every gender and references to persons include corporations, partnerships and other unincorporated associations or bodies of persons;
- 1.2.4 a reference to an SSAP is to a Statement of Standard Accounting Practice issued by (*inter alia*) the Accounting Standards Committee and adopted by the Accounting Standards Board;
- 1.2.5 a reference to an FRS is to a Financial Reporting Standard issued by the Accounting Standards Board;
- 1.2.6 the words and phrases "other", "including" and "in particular" shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible;
- 1.2.7 a person is connected with another person if he is so connected within the meaning of section 839 ICTA 1988;
- 1.2.8 a reference to any Enactment shall include:-
 - (a) any provision which it has re-enacted (with or without modification) or modified; and
 - (b) that Enactment as re-enacted, replaced or modified from time to time, whether before, on or after the date of this Agreement;but any such changes taking effect after the date of this Agreement shall not impose any additional liability or obligation on any of the parties or (except as

specified in clause 19.1) deprive any of them of any right, in each case under this Agreement; and

- 1.2.9 references to books, records or other information include paper, electronically or magnetically stored data, film, microfilm, and information in any other form and references to "writing" or "written" include faxes and email and any other method of reproducing words in a legible and non-transitory form (excluding SMS messaging).
- 1.2.10 references to the Sellers shall, save as stated to the contrary, to be each of them severally;
- 1.2.11 references to the Warrantors shall, save as stated to the contrary, to be each of them severally;
- 1.2.12 references to times of the day are to London time and references to a day are to a period of 24 hours running from midnight on the previous day; and
- 1.2.13 references to "indemnify" and "indemnifying" any person against any circumstance include indemnifying and keeping that person harmless from all actions, claims and proceedings from time to time made against that person and all loss or damage and all payments, costs or expenses properly made or incurred by that person as a consequence of or which would not have arisen but for that circumstance and the amount payable pursuant to any such indemnity shall be grossed up to take account of any Tax payable by the party having the benefit of the indemnity and which is attributable to it.

- 1.3 The contents table and the descriptive headings to clauses, schedules and paragraphs in this Agreement (and notes in brackets describing the subject matter of any Enactment) are inserted for convenience only, have no legal effect and shall be ignored in interpreting this Agreement.
- 1.4 Any term or expression to which meaning is ascribed under the Companies Act 1985 (as amended) shall when used in this Agreement bear that meaning unless the contrary is indicated.
- 1.5 Except where stated otherwise any agreement, covenant, representation, warranty, or liability arising under this Agreement on the part of two or more persons shall be deemed to be made or given by such persons jointly and severally.
- 1.6 The Buyer shall be entitled at any time or times to set off any Claim or Covenant Claim against any of the Share Sellers (as defined in the Deeds of Warranties) or any other liability of any of the Share Sellers, in each case which has been Finally Determined,

against any Claim by such Share Seller against the Buyer or the Buyer's Group or any other liability of the Buyer or the Buyer's Group to such Share Seller in each case, which has been Finally Determined.

- 1.7 Any Share Seller shall be entitled at any time or times to set off any Claim against the Buyer or any other liability of the Buyer to such Share Seller, in each case which has been Finally Determined, against any Claim or Covenant Claim against such Share Seller or any other liability of such Share Seller in each case, which has been Finally Determined.
- 1.8 In circumstances where the consent or approval of the Sellers is required or where information and/or notice is required to be given to or by the Sellers or otherwise it shall be sufficient for the Buyer or the Company to deal solely with the Sellers' Notice Agent whom each of the Sellers hereby irrevocably and unconditionally appoints as his agent for such purposes. The identity of the Sellers Notice Agent may be changed by notice in writing served on the Buyer by a majority (in number) of the Warrantors.

2. SALE OF THE SALE SHARES

- 2.1 The Sellers shall sell to the Buyer and the Buyer (relying, as the Sellers acknowledge, on the representations warranties undertakings, covenants and indemnities of the Sellers referred to or contained in this Agreement and of the Warrantors contained in the Deed of Warranty and Tax Covenant including (but without limitation) the Replies to Enquiries) shall purchase from the Sellers the Sale Shares.
- 2.2 Each Seller warrants that:-
 - 2.2.1 he is the sole legal and beneficial owner of the number of Sale Shares specified to be owned by that Seller (or by his nominee) in Schedule 1 free from Encumbrances;
 - 2.2.2 he has the right to dispose of his Sale Shares on the terms set out in this Agreement and has full power to enter into and perform this Agreement;
 - 2.2.3 no bankruptcy order has been made in respect of such Seller, nor has any petition for any such order been presented;
 - 2.2.4 no application has been made in respect of such Seller for an interim order under section 253 Insolvency Act 1986;
 - 2.2.5 such Seller is unable to pay or has no reasonable prospect of being able to pay any debt as those expressions are defined in section 268 Insolvency Act 1986;

- 2.2.6 no person has been appointed by the court to prepare a report in respect of any such Seller under section 273 Insolvency Act 1986;
- 2.2.7 no interim receiver has been appointed of the property of such Seller under section 286 Insolvency Act 1986;
- 2.2.8 the Sale Shares owned by such Seller shall be sold and transferred free from Encumbrances;

AND the transfer of the Sale Shares to the Buyer shall be deemed to include expressly and be made subject to all the above provisions of this clause 2.2.

- 2.3 Title to, beneficial ownership of, and any risk attaching to, the Sale Shares shall pass on Completion and the Sale Shares shall be sold and purchased together with all rights and benefits attached or accruing to them at Completion (including the right to receive any dividends, distributions or returns of capital declared, paid or made by the Company on or after Completion).
- 2.4 The Buyer shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.
- 2.5 Each of the Sellers waives any and all rights of pre-emption to which he may be entitled in respect of the Sale Shares whether under the Company's articles of association or otherwise.

3. **CONSIDERATION**

- 3.1 The Consideration for the sale of the Sale Shares shall be the aggregate of:-
 - 3.1.1 the Cash Consideration;
 - 3.1.2 the Initial Share Consideration; and
 - 3.1.3 the Deferred Share Consideration (if any);each of which shall be apportioned between the Sellers as set out in Schedule 1.
- 3.2 The Cash Consideration shall be satisfied by the payment of the amount of cash shown opposite the respective names of the Sellers in column 3 of Schedule 1.
- 3.3 The Initial Share Consideration shall be satisfied by the allotment of the number of Consideration Shares shown opposite the respective names of the Sellers in column 4 of Schedule 1.
- 3.4 Each of the First Deferred Share Consideration and Second Deferred Share Consideration shall be satisfied by the allotment of the number of Consideration Shares, credited as fully paid equal to the First Deferred Share Consideration or Second Deferred Share Consideration, as applicable divided by 7.27.

- 3.5 Once issued, the Consideration Shares shall rank pari passu with the existing ordinary shares of one pence each in the capital of the Buyer. The Consideration Shares shall be issued to the Sellers as set out in clause 4.3.
- 3.6 In the event that there is any consolidation, subdivision, bonus issue, discounted rights issue or other reorganisation affecting the Consideration Shares, the denominator of 7.27 referred to in 3.4 above shall be adjusted appropriately to take into account such matter. If the parties are unable to agree an appropriate adjustment, such matter will be referred to the auditors of the Buyer for final determination, who shall act as an expert and not as arbitrator and whose decision shall be final and binding on the parties.

4. DEFERRED SHARE CONSIDERATION

- 4.1 The amount of the First Deferred Share Consideration shall be £374,840 adjusted as follows:-

- 4.1.1 in the event that the 2007 Adjusted Income is a sum which is greater than £3,199,865 the First Deferred Share Consideration will equal:-

$$A + ((B - C) \times D)$$

Where:-

A = £374,840

B = 2007 Adjusted Income

C = 2006 Adjusted Income

D = Income Multiple

(The sum of $(B - C) \times D$ shall for these purposes be known as the "2007 Upward Adjustment".)

SUBJECT ALWAYS to a maximum amount of £624,840 payable by way of First Deferred Share Consideration;

- 4.1.2 in the event that the 2007 Adjusted Income is a sum which is less than £2,895,116 the First Deferred Share Consideration will equal:-

$$A - ((C - B) \times D)$$

Where:-

A = £374,840

B = 2007 Adjusted Income

C = 2006 Adjusted Income

D = Income Multiple

SUBJECT ALWAYS to a minimum amount of nil payable by way of First Deferred Share Consideration;

4.1.3 in the event that the 2007 Adjusted Income is a sum which equal to or more than £2,895,116 and equal to or less than £3,199,865, the First Deferred Share Consideration will be £374,840.

4.2 The amount of the Second Deferred Share Consideration shall be £374,840 adjusted as follows:-

4.2.1 in the event that the 2008 Adjusted Income is a sum which is greater than £3,199,865 the Second Deferred Share Consideration will equal:-

$$A + ((B - C) \times D)$$

Where:

A = £374,840

B = 2008 Adjusted Income

C = 2006 Adjusted Income

D = Income Multiple

(The sum of $(B - C) \times D$ shall for these purposes be known as the "2008 Upward Adjustment")

SUBJECT ALWAYS to a maximum amount of Second Deferred Consideration of (i) £374,840 plus (ii) the 2008 Upward Adjustment (but only to the extent that the 2008 Upward Adjustment, when added to any 2007 Upward Adjustment in 4.1.1 above, does not exceed £500,000;

4.2.2 in the event that the 2008 Adjusted Income is a sum which is less than £2,895,116 the Second Deferred Share Consideration will equal:-

$$A - ((C - B) \times D)$$

Where:

A = £374,840

B = 2008 Adjusted Income

C = 2006 Adjusted Income

D = Income Multiple

SUBJECT ALWAYS to a minimum amount of nil payable by way of Second Deferred Share Consideration;

4.2.3 in the event that the 2008 Adjusted Income is a sum which is equal to or more than £2,895,116 and equal to or less than £3,199,865 the Second Deferred Share Consideration will be £374,840.

- 4.3 Subject to the provisions of this Agreement the Consideration Shares to be issued to the value of the *First Deferred Share Consideration* or the *Second Deferred Share Consideration* shall be issued to the Share Sellers in the proportions set out in column 5 of Schedule 1 (rounded up to the nearest whole share per Seller) within 7 days of the determination of the *2007 Adjusted Income* and the *2008 Adjusted Income* respectively.
- 4.4 The Buyer shall procure, as soon as practicable following the presentation of the Accounts for the relevant year to the Company's directors for signature and in any event not later than 20 Business Days after such date, that a draft of the Adjusted Income Statement (2006/2007) and the Adjusted Income Statement (2007/2008) respectively (together the "Draft Adjusted Income Statements") shall be prepared in accordance with Schedule 6 and delivered to the Sellers' Notice Agent.
- 4.5 The Draft Adjusted Income Statements shall be prepared by the Buyer as soon as practicable in accordance with clause 4.4, and within 45 Business Days after their delivery (the "Adjusted Income Statements Review Period"), the Share Sellers shall review the Draft Adjusted Income Statements and endeavour to agree by negotiation with the Buyer what adjustments (if any) need to be made to them in order for them to comply with Schedule 6.
- 4.6 If the Share Sellers and the Buyer agree that no adjustments need to be made to the Draft Adjusted Income Statements or the Share Sellers and the Buyer agree on the adjustments to be made to the Draft Adjusted Income Statements in order for them to comply with Schedule 6 they shall:-
- 4.6.1 jointly incorporate into, and reflect any such adjustments in, the Draft Adjusted Income Statements;

- 4.6.2 confirm in writing that they have carried out such work as they consider necessary pursuant to Schedule 6 and that in their opinion the Draft Adjusted Income Statements have been drawn up in accordance with the provisions of Schedule 6 and comply with those provisions; and
- 4.6.3 confirm in writing the amount of the 2007 Adjusted Income or, as the case may be, the 2008 Adjusted Income ("the "Relevant Adjusted Income") as defined in this Agreement on the basis of those Draft Adjusted Income Statements;

and the Draft Adjusted Income Statements and the amount of the Relevant Adjusted Income as so confirmed in writing shall be the relevant Adjusted Income Statement and Adjusted Income respectively for all purposes of this Agreement and shall in the absence of manifest error be final and binding on the parties and shall not be subject to question on any ground and the date of that written confirmation shall for all purposes of this Agreement be the date of determination of the Relevant Adjusted Income.

- 4.7 If the Share Sellers and the Buyer have not resolved any matter(s) in dispute and provided the written confirmations referred to in clause 4.6 within the Adjusted Income Statements Review Period, then the matter(s) in dispute between the Share Sellers and the Buyer shall immediately be referred to a firm of independent chartered accountants as the Share Sellers and the Buyer may agree within 14 Business Days of a request by either of them to the other or, failing agreement within that time, as the President for the time being of the Institute of Chartered Accountants in England and Wales (or any person for the time being performing the functions of that official) may nominate on the application of the Sellers or the Buyer (the "Independent Accountants") for determination on the following basis:-

- 4.7.1 the Independent Accountants shall be instructed to notify the Share Sellers and the Buyer of their determination of any such matter within 45 Business Days of that referral;
- 4.7.2 the Share Sellers and the Buyer may make written submission to the Independent Accountants, but subject to those rights the Independent Accountants shall have power to determine the procedure to be followed in relation to their determination;
- 4.7.3 in making any such submissions the Share Sellers and the Buyer shall state their respective best estimates of any monetary amounts referred for determination;
- 4.7.4 in making their determination the Independent Accountants shall act as experts and not as arbitrators, their decisions as to any matter referred to

them for determination shall in the absence of manifest error be final and binding on the parties and shall not be subject to question on any ground; and

4.7.5 the fees and expenses of the Independent Accountants shall be borne and paid as directed by the Independent Accountant or, in the absence of any such direction, as to one half by the Share Sellers (jointly and severally) and as to the other half by the Buyer.

4.8 Following any agreement between the Share Sellers and the Buyer in accordance with clause 4.6 or any determination by the Independent Accountants in accordance with clause 4.7, the parties shall:-

4.8.1 jointly incorporate into and reflect in the Draft Adjusted Income Statements the matters agreed between the Share Sellers and the Buyer and/or determined by the Independent Accountants; and

4.8.2 provide written confirmation of those adjusted accounts in the terms set out in clauses 4.6.1 and 4.6.2;

and the Draft Adjusted Income Statements as so confirmed in writing shall be the Adjusted Income Statements for all purposes of this Agreement and shall in the absence of manifest error be final and binding on the parties and shall not be subject to question on any ground and the date of that written confirmation shall for all purposes of this Agreement be the date of determination of the Relevant Adjusted Income.

4.9 Until the Relevant Adjusted Income shall have been agreed or determined the Sellers and the Buyer shall respectively:-

4.9.1 give or procure that the Share Sellers or the Buyer and the Independent Accountants (as the case may require) are given access at all reasonable times on prior appointment during normal working hours on business days to all relevant books and records which are in the possession or under the control of the Sellers or any of them, the Company or the Buyer (as the case may be); and

4.9.2 generally provide the Share Sellers or the Buyer and the Independent Accountants (as the case may require) with such other information and assistance as they may reasonably require (including access to and assistance at reasonable times on prior appointment during normal working hours on business days from personnel employed by the Share Sellers or any of them, the Company or the Buyer, as the case may be), in relation to the review, agreement or determination of the Adjusted

Income Statements and the determination of the Relevant Adjusted Income.

- 4.10 Nothing in this Agreement shall prevent the Buyer or the Share Sellers from obtaining, at their own expense, professional advice in relation to any matter arising in connection with the agreement or determination of the Adjusted Income Statements and the Relevant Adjusted Income.

5. COMPLETION

- 5.1 Completion shall take place at the offices of the Sellers' Solicitors (or at such other place as the parties may agree) on the Completion Date when all (but not part only unless the parties shall so agree) of the business set out in Schedule 4 shall be transacted and the parties agree the matters contained in Schedule 4.
- 5.2 Following compliance with the provisions of Schedule 4, the Buyer shall pay by electronic funds transfer to the Nominated Account the Cash Consideration.

6. POST COMPLETION MATTERS AND FURTHER ASSURANCES

- 6.1 With effect from Completion, each of the Sellers appoints the Buyer by way of security as his lawful attorney for the purpose of receiving notices of and attending and voting at all meetings of the members of the Company from Completion to the day on which the Buyer or its nominee is entered in the register of members of the Company as the holder of the Sale Shares and for that purpose each of the Sellers authorises:-
- 6.1.1 the Company to send any notices or other communications in respect of its holding of Sale Shares to the Buyer; and
 - 6.1.2 the Buyer to complete in such manner as it thinks fit and to return proxy forms, consents to short notice and any other document required to be signed by it in its capacity as a member.
- 6.2 The Share Sellers and the Buyer hereby acknowledge and undertake that, having regard to the interests of the Share Sellers, throughout the Relevant Period the objective of the Business shall be to maximise the profitability of the Business to the extent consistent with sound commercial and financial management and to promote the orderly and profitable development of the Business subject always to the overriding duties of the directors of the Company and the Vendor Subsidiaries to act in the best interests of the Company. In particular the Share Sellers shall use their reasonable

endeavours to ensure that the Business does not incur expenses or liabilities materially in excess of those expected to be incurred in the normal course or in excess of those set out in the Business Plan. The Buyer undertakes that for so long as the current executive directors of the Company continue to be employed in the Business, they will be responsible for all material aspects of the day to day running of the Business, subject always to being responsible to the relevant board(s) of directors from time to time for the Business.

- 6.3 The Buyer undertakes that during the Relevant Period it shall not and shall procure that no member of the Buyer's Group shall purchase or otherwise acquire any economic interest in any business that may reasonably be considered to be competitive with the Business from time to time without the prior written consent of the Seller's Notice Agent.
- 6.4 Without prejudice to the generality of the foregoing the Buyer undertakes that during the Relevant Period the Buyer will procure that each member of the Buyer's Group (unless otherwise agreed in writing by the Sellers Notice Agent) will not do any of the following and will take all necessary steps to ensure that none of the following is carried out in respect of the Business:
- 6.4.1 any thing or series of acts or omissions the sole or main purpose of which is adversely to decrease the Deferred Share Consideration;
 - 6.4.2 any material change in its trade or business or change in any of its working practices or its registered name or business name;
 - 6.4.3 other than in the ordinary course of business, the sale or other disposal of the whole or any substantial part of its undertaking or assets to a third party;
 - 6.4.4 solicit or endeavour to entice away, canvass or approach for orders in respect of any services provided or supplied by the Business any person who is a client of the Business or divert to any member of the Buyer's Group a business opportunity available to it which relates to bloodstock and which would fall within the ordinary course of the Business; or
 - 6.4.5 any act or omission that may threaten or result in the loss of any of the licences, authorities or consents necessary for the operation of the Business from time to time.
- 6.5 The Buyer shall during the Relevant Period discuss with the Sellers Notice Agent the likely cash requirements of the Business and, if necessary, will use reasonable endeavours to procure that the Business shall have made available to it working capital in accordance with the Business Plan.

7. WARRANTIES AND TAX COVENANT

The Warrantors jointly and severally warrant and covenant with the Buyer in the terms of the Deed of Warranty and Tax Covenant which shall take effect from Completion.

8. RESTRICTIVE COVENANTS

8.1 In order to protect the value of the Sale Shares and the Business each of the Covenantors covenants with the Buyer (for itself and on trust for the Company and each member of the Buyer's Group) that without the prior consent in writing of the Buyer (such consent not to be unreasonably withheld) he shall not (and he shall procure that none of his related companies and/or connected persons shall) directly or indirectly, whether himself or by his employees or agents and whether on his own behalf or on behalf of any other person, firm or company or otherwise, for the period specified in clause 8.2:-

8.1.1 carry on, be employed or otherwise engaged, concerned or interested in any capacity (whether or not for reward) in, provide any technical, commercial or professional advice to, or assist in any manner any business which is or is about to be involved in the supply of the Restricted Services or any of them in the Prohibited Area in competition with any Group Company;

8.1.2 in relation to the Restricted Services or any of them solicit or canvass or accept business in the Prohibited Area from the Customers (or any person connected with any of them.

8.1.3 in relation to the Restricted Services or any of them, solicit or canvass, accept orders from or otherwise deal with any person in the Prohibited Area who:-

(a) was a customer of or supplier to the Company at any time during the 12 months prior to the Completion Date; or

(b) at the Completion Date was in the process of negotiating or contemplating doing business with the Company;

8.1.4 solicit or entice away or attempt to solicit or entice away from the Company any director, manager, person earning more than £25,000 per annum (gross) employed or otherwise engaged by the Company on the

- Completion Date, whether or not that person would commit any breach of any employment contract by leaving the employment of the Company; or
- 8.1.5 (subject to clause 8.4) employ or otherwise engage any person who at the Completion Date or during the preceding 12 months was employed or otherwise engaged by the Company and who as a result is or is reasonably likely to be in possession of any Business Information.
- 8.2 The covenants in clause 8.1 shall apply to Category A Covenantors for the period of three years from the Completion Date, Category B Covenantors for the period of 12 months from the Completion date and Category C Covenantors for the period of 6 months from the Completion Date.
- 8.3 Each of the Covenantors covenants with the Buyer (for itself and on trust for the Company) that he shall not and shall procure that none of his related companies and/or connected persons shall at any time after Completion directly or indirectly, whether himself or by his employees or agents or otherwise:-
- 8.3.1 carry on any trade or business or be associated with any person involved in any trade or business using the Trading Names and/or the Domain Names (or any of them) or any name incorporating any words in any of those trading names or any confusingly similar name (save that Charles Hamilton shall be entitled to use the name "Charles Hamilton" or "Hamilton", without prejudice to the remaining provisions of this clause 8.3); or
- 8.3.2 in the course of carrying on any trade or business, claim, represent or otherwise indicate any ongoing association with the Company; or
- 8.3.3 (subject to clause 8.4) without the consent of the Company or the Buyer use, whether on its own behalf or on behalf of any third party, or disclose to any third party, any Business Information.
- 8.4 The restrictions in clauses 8.1.5 and 8.3.3 shall not apply:-
- 8.4.1 to any Business Information which is in or becomes part of the public domain, other than through a breach of the obligations of confidentiality set out in this Agreement; or
- 8.4.2 to the extent that a Seller is required to disclose Business Information by any Official Requirement (including the regulations of any securities exchange or other Relevant Authority to which it is subject).
- 8.5 Each of the Covenantors agree with the Buyer that the covenants in clauses 8.1 to 8.3 inclusive:-

8.5.1 are reasonable and necessary for the protection of the value of the Sale Shares and the Company and that having regard to that fact those covenants do not work harshly on him; and

8.5.2 are given to induce the Buyer to enter into this Agreement and in consideration of it doing so.

8.6 The Buyer for itself and as agent for the Company may by written notice to the Covenantors vary the terms of any part of this clause as it may affect a Covenantor and/or the Company by reducing the period during and the extent of the activities to which the commitments are to apply or the geographical area to which the commitments relate.

9. CLAUSE NOT USED

10. MISCELLANEOUS MATTERS

The Warrantors shall procure that all Domain Names that are not registered in the name of the Company or the Group Companies shall be transferred to the Company within 14 days of Completion.

11. ANNOUNCEMENTS AND CONFIDENTIALITY

11.1 Each party shall (without limit in time, but subject to clause 11.2) keep and procure to be kept secret and confidential all Confidential Information belonging to the other party disclosed or obtained as a result of the discussions and negotiations leading to the execution of, or the performance of, this Agreement and shall neither use nor disclose any such Confidential Information except for the purposes of the proper performance of this Agreement or with the prior written consent of the other party. Where disclosure is made to any employee, consultant, adviser or agent, it shall be made subject to obligations equivalent to those set out in this Agreement. Each party shall use its best endeavours to procure that any such employee, consultant, adviser or agent complies with each of those obligations. Each party shall be responsible to the other party in respect of any disclosure or use of any of the other party's Confidential Information by a person to whom disclosure is made. In this clause 13 disclosure includes disclosure in writing or by any other means.

11.2 The obligations of confidentiality in this clause 11 shall not extend to a party in respect of any matter which that party can show:-

11.2.1 is in, or has become part of, the public domain other than as a result of a breach of the obligations of confidentiality under this Agreement;

11.2.2 was in that party's written records prior to the date of this Agreement and not subject to any obligations as to confidentiality;

11.2.3 was independently disclosed to that party by a third party entitled to disclose it; or

11.2.4 is required to be disclosed under any Official Requirement or by any Relevant Authority.

11.3 Neither party shall make any announcement in relation to this Agreement or to the purchase of the Sales Shares pursuant to this Agreement without the prior written consent of the other parties which shall not be unreasonably withheld or delayed.

12. PRESERVATION OF RIGHTS

12.1 The Buyer may with reference to all or any of the Sellers, in its discretion, in whole or in part release, compound or compromise, or waive its rights or grant time or indulgence in respect of, any liability to it under any Agreed Document without affecting its rights in respect of any other liability and/or its rights in respect of that original liability where it continues to affect and bind the other Sellers (as the case may be).

12.2 Any waiver of any right under this Agreement shall only be effective if it is in writing signed by the Buyer and it shall apply only to the party to whom the waiver is addressed and to the circumstances for which it is given and shall not prevent the Buyer from subsequently relying on the provision which it has waived.

12.3 Subject to clause 12.4, neither the single or partial exercise, nor the temporary or partial waiver, by the Buyer of any right, nor the failure by the Buyer to exercise in whole or in part any right or to insist on the strict performance of any provision of this Agreement, nor the discontinuance, abandonment or adverse determination of any proceedings taken by the Buyer to enforce any right or any such provision, shall (except for the period or to the extent covered by any such temporary or partial waiver) operate as a waiver of, or preclude any exercise or enforcement or (as the case may be) further or other exercise or enforcement by the Buyer of, that or any other right or provision.

12.4 All references in clause 12.3 to:-

- 12.4.1 any right shall include any power, right or remedy conferred by this Agreement on, or provided by law or otherwise available to, the Buyer; and
- 12.4.2 any failure to do something shall include any delay in doing it.
- 12.5 The giving by the Buyer of any consent to any act which by the terms of this Agreement requires that consent shall not prejudice the right of the Buyer to withhold or give consent to any similar act.
- 12.6 Clauses 12.1 to 12.3 inclusive shall apply (with the appropriate changes) to any rights under this Agreement enforceable under the Contracts Act by any person who is not party to it.
- 12.7 All of the provisions of this Agreement shall, so far as they are capable of being performed or observed, continue to be effective notwithstanding Completion except in respect of those matters then already performed and Completion shall not constitute a waiver of any of the Buyer's rights in relation to this Agreement.

13. NOTICES

- 13.1 Except as otherwise provided in this Agreement, every notice under this Agreement shall be in writing and shall be deemed to be duly given if it (or the envelope containing it) identifies the intended recipient as the addressee and:-
- 13.1.1 it is delivered by being handed personally to the addressee (or, where the addressee is a corporation, any one of its directors or its secretary);
- 13.1.2 it is delivered by being left in a letter box or other appropriate place for the receipt of letters at the addressee's authorised address (as defined below); or
- 13.1.3 the envelope containing the notice is properly addressed to the addressee at the addressee's authorised address and duly posted by the recorded delivery service (or by international recorded post if overseas);
- and, in proving the service of any such notice, it shall be conclusive evidence to prove that the notice was duly given within the meaning of this clause 13.1.
- 13.2 A notice sent by post (or the envelope containing it) shall not be deemed to be duly posted for the purposes of clause 13.1.3 unless it is put into the post properly stamped or with all postal or other charges in respect of it otherwise prepaid.
- 13.3 For the purposes of this clause 13 the authorised address of the Buyer and the Company respectively shall be the address of its registered office for the time being or (in the case of notices sent by facsimile transmission) its facsimile number at that

address and the authorised address of the Sellers shall be the address of the Sellers' Solicitors or (in the case of notices sent by facsimile transmission) the facsimile number of the Sellers' Solicitors (or any other firm of solicitors in England or Wales nominated from time to time by notice in writing from the Sellers' Notice Agent).

13.4 Any notice duly given within the meaning of clause 13.1 shall be deemed to have been both given and received:-

13.4.1 if it is delivered in accordance with clauses 13.1.1 and 13.1.2, on that delivery; and

13.4.2 if it is duly posted in accordance with clause 13.1.3 by any of the methods specified in that clause, on the second (or, when sent by airmail, fifth) business day after the day of posting.

13.5 For the purposes of this clause "notice" shall include any request, demand, instruction, communication or other document.

13.6 Each notice to be given under or in connection with this Agreement shall be in English and if that notice is translated into any other language, the English language text shall prevail.

14. ENTIRE AGREEMENT

The Agreed Documents constitute the entire agreement between the parties in relation to the sale and purchase of the Sale Shares and other matters covered by them and supersede any previous agreement between the parties in relation to those matters, which shall cease to have any further effect. It is agreed that:-

14.1.1 no party has entered into any Agreed Document in reliance on and each party unconditionally waives any claims in relation to, any statement, representation, warranty or undertaking which is not set out in the Agreed Documents;

14.1.2 in the absence of fraud, no party shall have any remedy in respect of any untrue statement made, to it or its representatives or agents, prior to this Agreement being entered into and on which it or they relied other than representations, warranties or undertakings set out in the Agreed Documents; and

14.1.3 this clause 14 shall not exclude any remedy or liability for fraudulent concealment or fraudulent misrepresentation.

15. ALTERATIONS

No purported alteration of this Agreement shall be effective unless it is in writing, refers specifically to this Agreement and is duly executed by each party to this Agreement.

16. SEVERABILITY

16.1 Each provision of this Agreement is severable and distinct from the others. The parties intend that each of those provisions shall be and remain valid and enforceable to the fullest extent permitted by law. If any such provision is or at any time becomes to any extent invalid, illegal or unenforceable under any Enactment or rule of law, it shall to that extent be deemed not to form part of this Agreement but (except to that extent in the case of that provision) it and all other provisions of this Agreement shall continue to be effective and their validity, legality and enforceability shall not be affected or impaired as a result, subject to the operation of this clause not negating the commercial intent and purpose of the parties under this Agreement. The proviso to clause 1.2.8 shall not apply for the purposes of this clause 16.1.

16.2 If any provision of this Agreement is illegal or unenforceable because any period or area specified in it exceeds that permitted by a Relevant Authority, that provision shall take effect with the minimum modification necessary to make it valid, effective and acceptable to that Relevant Authority subject to that modification not negating the commercial intent of the parties under this Agreement.

17. COUNTERPARTS

This Agreement may be entered into in the form of two or more counterparts each executed by one or more of the parties but, taken together, executed by all of them and, provided that each party duly executes such a counterpart, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but, taken together, they shall constitute one instrument.

18. PAYMENT OF COSTS

Each party shall be responsible for that party's own legal and other costs incurred in relation to the negotiation, preparation and completion of each of the Agreed Documents and all other relevant documents, save that the Purchaser and/or (by agreement with the Company, the Company) shall be responsible for the payment of the costs of the Sellers' Solicitors up to £65,000 plus VAT and disbursements.

19. SUCCESSORS, ASSIGNS AND THIRD PARTY RIGHTS

- 19.1 This Agreement shall be binding on and shall enure for the benefit of the successors in title and personal representatives of each of the parties.
- 19.2 Except as provided in clause 19.3, none of the parties (nor any other person entitled to enforce rights under this Agreement) may assign the benefit of any rights under this Agreement.
- 19.3 The benefit subject to the burden of this Agreement shall be freely assignable by the Buyer to any Subsidiary of the Buyer and, following any such assignment, all references in this Agreement to the Buyer shall be deemed to include the Buyer's assigns.
- 19.4 Except as provided in clause 19.3:-
- 19.4.1 the Contracts Act shall not apply to this Agreement; and
 - 19.4.2 no person (including any employee, officer, agent, representative or sub-contractor of a party) other than a party to this Agreement shall have the right (whether under the Contracts Act or otherwise) to enforce any term of this Agreement which expressly or by implication confers a benefit on that person without the express prior agreement in writing of the parties, which agreement must refer to this clause 19.4.
- 19.5 No consent shall be required from any person having rights under this Agreement by virtue only of the Contracts Act to any amendment, variation, waiver or settlement of this Agreement or any right or claim arising from or under it which (in each case) has been agreed by any party to it.

20. APPLICABLE LAW AND SUBMISSION TO JURISDICTION

- 20.1 This Agreement and any dispute or claim arising out of or in connection with it shall be governed by and construed in accordance with English law.
- 20.2 All disputes or claims arising out of or relating to this Agreement shall be subject to the non-exclusive jurisdiction of the English Courts, to which each of the parties irrevocably submit.
- 20.3 This Agreement is drawn up in English and if it is translated into any other language, the English language text shall prevail.

21. ADDRESS FOR SERVICE

21.1 Each of the Sellers irrevocably authorises and appoints the Sellers' Solicitors (or any other firm of solicitors resident in England or Wales nominated by the Sellers' Notice Agent from time to time by notice in writing to the Buyer) ("the Nominated Person") to accept on their behalf service of all legal process arising out of or connected with this Agreement.

21.2 Service of any such process on the Nominated Person for the time being authorised under clause 21.1 to accept it on behalf of the Sellers shall be deemed to be service of that process on the Sellers.

AS WITNESS the parties have executed this Agreement as a deed on the date set out above.

SCHEDULE 1

THE SELLERS

1	2	3	4	5	6			
Seller's Name	Number of Sale Shares	Amount of Cash Consideration	Number of Initial Consideration Shares	% of Deferred Share Consideration	Share Seller	Warrantor	Covenantor	
1 Charles Hamilton	117,647	-	57,772	24.00%	Y	Y	A	
2 Productive Nominees Ltd (HMO)	16,790	-	8,245	3.43%	Y	N		
3 Caroline Hamilton	7,849	-	3,855	1.60%	Y	N		
4 J B L Watson	4,480	-	2,200	0.91%	Y	N		
5 E F G Reads Trustees Ltd	3,750	-	1,842	0.77%	Y	N		
6 Hon Ben Leigh	93,568	-	45,948	19.10%	Y	Y	B	
7 Sophie Chambers	88,235	£49,999.50	37,873	15.74%	Y	Y	B	
8 Joanna Sorrell	58,824	£264,708.00	-	-	N	Y	B	
9 Bloodstock & Stud Investment Co Ltd	56,000	-	27,500	11.43%	Y	N		
10 Cheviot Nominees Ltd (Ref: 1082701)	33,735	£152,370.84	-	-	N	N		
11 Trustees of GF Armitage 1973 Settlement	24,940	£112,525.12	-	-	N	N		
12 Sir Timothy Kitson	23,580	£81,409.69	2,729	1.13%	N	Y	B	
13 Andrew Stone	23,048	£103,716.00	-	-	N	N		
14 Trustees of Andrew and Marina Stone	22,999	£105,651.65	-	-	N	N		
15 Johnny McIrvine	31,000	-	15,224	6.33%	Y	Y	B	
16 David Minton	21,000	-	10,313	4.29%	Y	Y	B	
17 G B Turnbull Ltd	17,344	£78,368.81	-	-	N	N		
18 E B McGrath	16,800	£75,600.00	-	-	N	N		
19 E P Kitson	16,618	£75,108.37	-	-	N	N		
20 Lady M Kitson	14,430	£39,937.50	2,728	1.13%	N	N		
21 Peter Clinton 1997/1 Discretionary Trust	13,922	£62,649.00	-	-	Y	N		
22 James Beazley	23,668	-	11,623	4.83%	Y	Y	B	
23 Executors of Lord Swinton	9,079	£41,005.03	-	-	N	N		
24 Simon Tindall	7,335	£33,007.50	-	-	N	N		
25 P W Ballard	6,256	£28,152.00	-	-	N	N		
26 Trustees of the E W Fattorini Will Trust	5,340	£24,530.62	-	-	N	N		
27 J K Lister	4,808	£21,735.93	-	-	N	N		
28 Charles Longbottom	3,311	£14,985.37	-	-	N	N		
29 Mrs Anita Longbottom	3,175	£14,374.69	-	-	N	N		
30 Mrs C Platts	2,844	£12,798.00	-	-	N	N		
31 David Christopherson	2,839	£12,775.50	-	-	N	N		
32 Mrs Hannah Christopherson	2,839	£12,775.50	-	-	N	N		
33 ESOT	2,546	£11,457.00	-	-	N	N		
34 The Batt Settlement Trust	2,546	£11,457.00	-	-	N	N		
35 Mrs A M Young	1,796	£8,082.00	-	-	N	N		
36 Anthony Bromley	21,000	-	10,313	4.29%	Y	Y	B	
37 Beth Sharkey	5,000	-	2,456	1.02%	Y	Y	C	
38 Kate Dunbar (nee Beaumont)	5,000	£22,500			Y	Y	C	
39 Cathy Boltman	5,000	£22,500			Y	Y	C	
Totals	820,941	£1,494,180.62	240,621	100%				

SCHEDULE 2
THE COMPANY

Status: private company limited by shares

Date of incorporation: 28/09/2000

Place of incorporation: England and Wales

Registered number: 04080147

Registered office: The Coach House
168 High Street
Newmarket
Suffolk
CB8 9AQ

Authorised share capital: £115,000

Issued share capital: £82,094.10

Directors: James Anthony John Beazley

Charles Alexander Hamilton

Sir Timothy Peter Geoffrey Kitson

David Thomas Mcaree Young

Secretary: James Anthony John Beazley

Auditors: RSM Robson Rhodes LLP

Bankers: C Hoare & Co

Accounting reference date: 31 March

SCHEDULE 3
THE SUBSIDIARIES

Name: Hamilton & Partners Limited

Status: private company limited by shares

Date of incorporation: 01 August 1998

Place of incorporation: England and Wales

Registered number: 03642730

Registered office: The Coach House
168 High Street
Newmarket
Suffolk
CB8 9AQ

Authorised share capital: £90,000

Issued share capital: £68,295

Directors: James Anthony John Beazley
Sophie Rebecca Chambers
Charles Alexander Hamilton
Sir Timothy Peter Geoffrey Kitson
The Honourable Benjamin Chandos Leigh
Jonathan Benedict McIrvine
Joanna Mary Sorrell
David Thomas Mcaree Young

Secretary: James Anthony John Beazley

Auditors: RSM Robson Rhodes LLP

Bankers: C Hoare & Co

Accounting reference date: 31 March

Name: Highflyer Bloodstock Agency Limited

Status: private company limited by shares

Date of incorporation: 18 June 2001

Place of incorporation: England and Wales

Registered number: 04236470

Registered office: The Coach House
168 High Street
Newmarket
Suffolk
CB8 9AQ

Authorised share capital: £100,000

Issued share capital: £2.00

Directors: James Anthony John Beazley
Anthony Robert Bromley
Charles Alexander Hamilton
William David Capper Minton

Secretary: James Anthony John Beazley

Auditors:

Bankers:

Accounting reference date: 31 March

Name: Hamilton & Partners (Ireland) Limited

Status: private company limited by shares

Date of incorporation: 19 November 2003

Place of incorporation: Republic of Ireland

Registered number: 378301

Registered office: 30 Herbert Street, Dublin 2, Ireland

Authorised share capital: €1,000,000

Issued share capital: €1.00

Directors:

- John Anderson
- Charles Hamilton
- Patrick Jordan
- James Beazley
- Brian Grassick

Secretary: Matsack Trust Limited

Accounting reference date: 31 March

Name: Hydra Insurance Services Limited

Status: private company limited by shares

Date of incorporation: 07 February 1979

Place of incorporation: England and Wales

Registered number: 01413723

Registered office: The Coach House
168 High Street
Newmarket
Suffolk
CB8 9AQ

Authorised share capital:

Issued share capital: £125.00

Directors: James Anthony John Beazley
Charles Alexander Hamilton

Secretary: James Anthony John Beazley

Auditors:

Bankers:

Accounting reference date: 31 March

Name: Hydra Dormant Subsidiary Limited

Status: private company limited by shares

Date of incorporation: 20 September 2000

Place of incorporation: England and Wales

Registered number: 04080259

Registered office: The Coach House
168 High Street
Newmarket
Suffolk
CB8 9AQ

Authorised share capital: £1,000

Issued share capital: £1.00

Directors: James Anthony John Beazley
Charles Alexander Hamilton

Secretary: James Anthony John Beazley

Auditors:

Bankers:

Accounting reference date: 31 March

SCHEDULE 4
COMPLETION PROVISIONS

Part 1

Completion Obligations

1 Sellers' obligations

1.1 On Completion, in accordance with clause 5, the Sellers shall (and in respect of paragraphs 1.1.2 to 1.1.9 jointly and severally shall):-

1.1.1 deliver to the Buyer or (in the case of the items specified in paragraph (h) make available for collection by the Buyer or authorised representatives of the Buyer) (to the extent not previously delivered or provided):-

- (a) transfers in respect of the Sale Shares duly executed and completed in favour of the Buyer or as the Buyer may direct;
- (b) Option Exercise Forms together with any uncashed cheques relating to the exercise of any share options;
- (c) duly executed powers of attorney or other authorities under which any of the above transfers (or this Agreement) have been executed;
- (d) all share certificates in respect of the Sale Shares (or an indemnity in a form approved by the Buyer in respect of any missing share certificate);
- (e) any other documents required to give a good title to, and to enable the Buyer or the Buyer's nominees to become the registered holders of, the Sale Shares;
- (f) (as agents for the Company) all its statutory and minute books (written up to date) and its Common Seal (if any), Certificate of Incorporation, any Certificate of Incorporation on Change of Name and its Memorandum and Articles of Association;
- (g) evidence satisfactory to the Buyer of the release of all Guarantees given by the Company or its Subsidiaries in respect of liabilities of the Sellers or any of its related companies or any director of the Sellers or any of its related companies and of any Security Interest which the Buyer has not agreed should remain in force over the assets of the Company or its Subsidiaries;
- (h) to the extent not in the possession of the Company or its Subsidiaries, all the financial and accounting books and records of the Company and its Subsidiaries together with all cheque books and paying in books for its bank accounts; and

- (i) to the extent not in the possession of the Company or its Subsidiaries, all the assets of the Company and its Subsidiaries (including all company credit cards held by persons resigning on Completion or otherwise ceasing to be employed or engaged by the Company or one of its Subsidiaries after Completion) together with all documents evidencing its title to each of its assets (including vehicle registration documents relating to its motor vehicles);
 - (j) a compromise agreement in the Agreed Form (duly certified) executed by Joanna Sorrell; and
 - (l) a copy of the Amlin Consent;
- 1.1.2 cause all stock transfers executed in accordance with paragraph 1.1.1 above to be resolved to be registered (subject only to their being duly stamped) notwithstanding any provision to the contrary in the Articles of Association of the Company;
- 1.1.3 cause the persons named in part 2 of this Schedule 4 to be validly appointed as additional directors and the person named in part 3 of this Schedule 4 to be validly appointed as secretary of the Company;
- 1.1.4 on those appointments being made, cause the persons named in part 4 of this Schedule 4 to cease to be directors and (if applicable) employees and the person named in part 5 of this Schedule 4 to cease to be secretary and procure all such persons to deliver to the Buyer their agreed form written resignations of their respective offices acknowledging that they have no claim outstanding including for compensation for loss of office, redundancy and unfair dismissal;
- 1.1.5 if the Buyer so requests, procure that each and every director or secretary required by this Schedule 4 to resign on Completion shall concur with the Company and its Subsidiaries in taking any action which the Buyer may consider necessary to preclude any such person from making a complaint to or bringing proceedings before an employment tribunal or other court in respect of the termination of his contract of employment;
- 1.1.6 procure that the auditors of the Company and its Subsidiaries shall deposit their written notice of resignation at its registered office in accordance with section 392 CA 1985 with a statement under section 394 CA 1985 that there are no circumstances connected with their ceasing to hold office which they consider should be brought to the attention of the members or creditors of the Company or its Subsidiaries;

- 1.1.7 repay to the Company and its Subsidiaries, or procure the repayment to it of, all indebtedness outstanding at Completion from the Sellers or any person connected to them;
- 1.1.8 procure that the Company and its Subsidiaries shall repay all loans made to it by the Sellers as fairly disclosed in the Disclosure Letter and outstanding at Completion, and, repay all outstanding amounts of Hydra House Loan Stock; and
- 1.1.9 procure that the Company shall execute a written resolution as the sole member of Hamilton & Partners Limited resolving to change the name of that company to "Lycetts Hamilton Limited" with effect from the second Business Day after Completion.

2 Buyer's obligations

The Buyer shall (to the extent not carried out prior to Completion) on Completion:-

- 2.1 adopt the New Lycetts Articles and pass the Lycetts Resolutions, and complete the Lycetts Reorganisation;
- 2.2 pay the portion of the consideration for the sale of the Sale Shares required under clause 3.2 to be satisfied in cash by electronic funds transfer for value on the day of Completion to the Nominated Account;
- 2.3 procure that a meeting of the board of directors is convened at which the Consideration Shares in satisfaction of the Initial Share Consideration are allotted and allot and issue such Consideration Shares in accordance with clause 3.3;
- 2.4 deliver a certified copy of the resolution(s) passed by the shareholders of the Buyer giving general authority to the directors to allot the Consideration Shares pursuant to Section 80 of CA 1985; and
- 2.5 instruct the Company to pay the amount of £250,000 plus interest accrued from 1st October 2006 to the date of payment to the holders of the Hydra House Loan Stock by way of repayment in full of principal and interest thereon.

3 Joint obligations

The parties shall join in procuring that at or before Completion:-

- 3.1 Ryecroft Glenton shall be appointed auditors of the Company and its Subsidiaries; and
- 3.2 all existing bank mandates in force for the Company shall be altered (in such manner as the Buyer shall at Completion require) to reflect the resignations and appointments referred to in paragraphs 1.1.3 and 1.1.4 above.

4 Buyers obligations after Completion

4.1 The Buyer shall within 14 days of Completion procure that an extraordinary general meeting of the Company is convened to approve the Final Dividend, the record date for the Final Dividend being the day prior to Completion and will procure that such Final Dividend is paid within 21 days of Completion to the Sellers entitled thereto.

Part 2

Additional directors

Hydra House Limited:	Edward Nicholl Angus Keate
Hamilton & Partners Limited:	Edward Nicholl Angus Keate
Hamilton & Partners (Ireland) Limited:	None
Highflyer Bloodstock Agency Limited:	None
Amlin Plus Limited:	None
Lycett Browne-Swinburne & Douglass Limited:	Charles Hamilton

Part 3

New secretary

None

Part 4

Resigning directors

Hydra House Limited:	Sir Timothy Kitson D T M Young
Hamilton & Partners Limited:	D T M Young

Part 5

Resigning secretary

None

SCHEDULE 5
DOMAIN NAMES

www.hamilton-partners.co.uk
www.hamilton-cirencester.co.uk
www.hamilton-newmarket.co.uk
www.hamilton-london.co.uk
www.hamilton-partners.ie
www.highflyerbloodstock.co.uk
www.highflyerbloodstock.com

SCHEDULE 6

BASIS OF PREPARATION OF ADJUSTED INCOME STATEMENTS

1. The Adjusted Income Statement shall be in the format set out in paragraph 4 of this Schedule.
2. The Adjusted Income Statement shall be drawn up in accordance with the policies that appear and in the order shown below:
 - a. the specific accounting policies set out in paragraph 3 of this Schedule;
 - b. to the extent not covered by paragraph a above, on a consistent basis and using the same accounting principles, policies, practices, evaluation rules and procedures, methods and bases (collectively the "Accounting Policies") consistently applied by the Company in the preparation of the Accounts, provided that such Accounting Policies are at the relevant time lawful and comply with UK generally accepted accounting practices; and
 - c. to the extent not covered in a and b above, in accordance with UK generally accepted accounting practice as applied from time to time.
3. Specific Accounting Policies: Turnover includes commission and other income. Commission income will be recognised in the profit and loss account on the basis of policies notified to the Company, to the extent that the inception date of such policies precedes the relevant year end date. There will only be one renewal of an annual policy recognised in any one accounting year. Income from extensions of policies for periods of less than one year will be recognised.
4. The Adjusted Income Statement shall be set out in the following format:

Definition	Year ended 31 March 2006	Year ended 30 April 2007	Year ended 30 April 2008
The Business's brokerage, fees, profit commission and other trading income for the relevant 12 month period (excluding Amlin Plus Limited turnover):	£3,810,023		
less:			
▪ profit commissions earned in excess of £300,000;	(£439,190)		
▪ the Highflyer Turnover;	(£560,244)		
▪ 50 per cent of any Lycett New Business (as defined below);	N/A		
plus:			
▪ the Business's share of the Amlin Plus Profit/Loss;	£184,054		
	£52,847		
▪ the Highflyer Profit/Loss;			

- 50 per cent of any Hydra New Business (as defined below); N/A

Adjusted Income £3,047,490

L.F. and **Lycett New Business** means new business, commission, income or fees which is won by the Business with the assistance of the Buyer's Group ~~either~~ through the significant involvement of its personnel ~~or the utilisation of the Buyer's Group's facilities with insurers,~~ which is included in the books of account of the Company or its Subsidiaries.

L.F. and **Hydra New Business** means any new business, commission, income or fees which is won by the Buyer or its Subsidiaries with the assistance of the Company or its Subsidiaries, ~~either~~ through the significant involvement of its personnel ~~or the utilisation of the Company's or its Subsidiaries' facilities with insurers,~~ which is included within the books of account of the Buyer or its Subsidiaries.

For these purposes "significant" shall include the involvement of its personnel in the arrangement of insurance quotes.

EXECUTED and DELIVERED as a DEED

by LYCETTS HOLDINGS LIMITED

acting by two directors or by one

director and the company secretary

Director

Director/Company Secretary

Executed as a Deed by Charles Hamilton)
in the presence of:)

Signature of witness: P. Nam Chw.

Name:

Address: OSBORNE CLARKE

Occupation SOLICITOR

Executed as a Deed by James Beazley)
in the presence of:)

Signature of witness: P. L. Q

Name:

Address:

as above

Occupation

Executed as a Deed by)

James Beazley)
.....)

as attorney for)

Productive Nominees Limited (HMO))

in the presence of:)

Signature of witness:

Name:

Address: P. Nam Chw

as above

Occupation:

TS569

Executed as a Deed by)

James Beazley)

as attorney for)

Caroline Hamilton)

in the presence of:)

Signature of witness: P.L.C.

Name:

Address: (as above)

Occupation:

h. l. u. >

Executed as a Deed by)

James Beazley)

as attorney for)

J B L Watson)

in the presence of:)

Signature of witness: P.L.C.

Name:

Address: (as above)

Occupation:

h. l. u. -

Executed as a Deed by)

James Beazley)

as attorney for)

EFG Reads Trustees Limited)

in the presence of:)

Signature of witness: J.P.L.C.

Name:

Address: (as above)

Occupation:

h. l. u. ,

Executed as a Deed by

James Beazley

as attorney for

The Honourable Benjamin Leigh

in the presence of:

Signature of witness: P.N.C

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by

James Beazley

as attorney for

Sophie Chambers

in the presence of:

Signature of witness: P.N.C

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by

James Beazley

as attorney for

Joanna Sorrell

in the presence of:

Signature of witness: P.N.C

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by)

James Beazley)

as attorney for)

Bloodstock & Stud Investment)

Company Ltd)

in the presence of:)

Signature of witness:)

Name:)

Address:)

Occupation:)

Executed as a Deed by)

James Beazley)

as attorney for)

Cheviot Nominees Limited)

in the presence of:)

Signature of witness:)

Name:)

Address:)

Occupation:)

Executed as a Deed by)

James Beazley)

as attorney for)

The Trustees of GF Armitage)

1973 Settlement)

in the presence of:)

Signature of witness:)

Name:)

Address:)

Occupation:)

Executed as a Deed by

James Barclay

as attorney for

Sir Timothy Kitson

in the presence of:

Signature of witness: [Signature]

Name:

Address: (as above)

Occupation:

h. l. u.

Executed as a Deed by

James Barclay

as attorney for

Lady Margaret Kitson

in the presence of:

Signature of witness: [Signature]

Name:

Address: (as above)

Occupation:

h. l. u.

Executed as a Deed by

James Barclay

as attorney for

Andrew Stone

in the presence of:

Signature of witness: [Signature]

Name:

Address: (as above)

Occupation:

h. l. u.

Executed as a Deed by)

James Beazley)

as attorney for)

The Trustees of Andrew and)

Marina Stone Childrens' Charitable Trust)

in the presence of:)

Signature of witness: DP. L. C.

Name:

Address: (as above)

Occupation:

h. l. s.

Executed as a Deed by)

James Beazley)

as attorney for)

Johnny McIrvine)

in the presence of:)

Signature of witness: DP. H. C.

Name:

Address: (as above)

Occupation:

h. l. s.

Executed as a Deed by)

James Beazley)

as attorney for)

David Minton)

in the presence of:)

Signature of witness: DP. H. C.

Name:

Address: (as above)

Occupation:

h. l. s.

Executed as a Deed by

James Beazley

as attorney for

G B Turnbull Limited

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

P.L.C.
(as above)

h. h.

Executed as a Deed by

James Beazley

as attorney for

E B McGrath

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

P.L.C.
(as above)

h. h.

Executed as a Deed by

James Beazley

as attorney for

E P Kitson

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

P.L.C.
(as above)

h. h.

Executed as a Deed by)

James Benzley)

as attorney for)

The Trustees of the)

Peter Clinton 1997/1 Discretionary)

Settlement Trust)

in the presence of:)

Signature of witness: J.P.L.C.

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by)

James Benzley)

as attorney for)

The Executors of Lord Swinton)

in the presence of:)

Signature of witness: J.P.L.C.

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by)

James Benzley)

as attorney for)

Simon Tindall)

in the presence of:)

Signature of witness: J.P.L.C.

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by

James Beazley

as attorney for

P W Ballard

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

Executed as a Deed by

James Beazley

as attorney for

The Trustees of the W E Fattorini

Will Trust

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

Executed as a Deed by

James Beazley

as attorney for

J K Lister

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

TS569

Executed as a Deed by

James Beazley

as attorney for

Charles Longbottom

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

h. h.

Executed as a Deed by

James Beazley

as attorney for

Anita Longbottom

in the presence of:

Signature of witness:

Name:

Address:

Occupation:

h. h.

Executed as a Deed by

James Beazley

as attorney for

C Platts

in the presence of:

Signature of witness:

Name:

Address:

h. h.

Occupation:

Executed as a Deed by)

..... James Beazley)

as attorney for)

David Christopherson)

in the presence of:)

Signature of witness: M L C

Name:

Address: (as above)

Occupation:

h. h. -

Executed as a Deed by)

..... James Beazley)

as attorney for)

Hannah Christopherson)

in the presence of:)

Signature of witness: P. N. C.

Name:

Address: (as above)

Occupation:

h. h. -

Executed as a Deed by)

..... James Beazley)

as attorney for)

The Trustees of the Hydra House Group)

Employee Share Ownership Trust)

in the presence of:)

Signature of witness: P. L. C.

Name:

Address: (as above)

TS569

h. h. -

Occupation:

Executed as a Deed by)

James Bearley)

as attorney for)

The Trustees of the Batt Settlement Trust)

in the presence of:)

Signature of witness: P.L.C.

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by)

James Bearley)

as attorney for)

A M Young)

in the presence of:)

Signature of witness: P.L.C.

Name:

Address: (as above)

Occupation:

h. h.

Executed as a Deed by)

James Bearley)

as attorney for)

Anthony Bromley)

in the presence of:)

Signature of witness: P.L.C.

Name:

Address: (as above)

h. h.

Occupation:

Executed as a Deed by)

..... James Beazley)

as attorney for)

Beth Sharkey)

in the presence of:)

Signature of witness:

Name:

Address:

Occupation:

h. h.

Executed as a Deed by)

..... James Beazley)

as attorney for)

Catherine Dunbar (nee Beaumont))

in the presence of:)

Signature of witness:

Name:

Address:

Occupation:

h. h.

Executed as a Deed by)

..... James Beazley)

as attorney for)

Catherine Boltman)

in the presence of:)

Signature of witness:

Name:

Address:

TS569

h. h.

(as above)