4043759

DATED 31st Decembe 2004

(1) TOWERGATE UNDERWRITING LIMITED

- and -

(2) MARDON INSURANCE BROKERS (UK) LIMITED

- and -

(3) TOWERGATE UNDERWRITING GROUP LIMITED

AGREEMENT

relating to

the sale and purchase of the business of
Mardon Insurance Brokers (UK) Limited

CONTENTS

THIS AGREEMENT is made on 31st December 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) **MARDON INSURANCE BROKERS (UK) LIMITED** (company number 01113952) 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:

"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 name "Mardon" 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.

"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.

"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).

"Mardon Property" means the freehold property occupied by the Vendor and known as 4 & 5 Dogpole, Shrewsbury, Shropshire, SY1 1EN.

"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 Mardon Property) 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 the Mardon 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 £2,049,835 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 2,049,835 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 Mardon Property) 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 Mardon Property and shall allow access to the Computer System by the Vendor at such Mardon 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. *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.

11. 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.

12. 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.

13. EMPLOYEES

13.1 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.

13.2 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.

14. FURTHER ASSURANCE

14.1 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.

14.2 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.

15. 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:

15.1 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

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

16. 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.

17. SUCCESSORS AND ASSIGNMENT

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

17.2 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.

18. ENTIRE AGREEMENT

18.1 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.

18.2 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.

18.3 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).

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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

Employees

Louise Anderson
David Carless
Lynne Clift
Karry Cloak
David Cole
Anne Farley
Marie Fox
David Hinton
Sheila Jones
Jenny Lewis
Joan Main
Richard Mason
Nigel Mills
Diana Pearce
Stephanie Pond
Sarah Pond
Tracey Read
Andrew Sims
Annwyn Stockton
Julie Watson

SIGNED by)
for and on behalf of)
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LIMITED**)
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