

DATED

REPORT ON TITLE

to The Creamery and Teifi Valley Business Centre Aberarad Newcastle Emlyn SA38 9DD for
Dansco Dairy Limited

CONTENTS

CLAUSE

1.	Interpretation	1
2.	Scope of the review and limitation of liability	1
3.	Executive summary	2
4.	The Property	3
5.	Matters benefiting the Property	4
6.	Matters burdening the Property	7
7.	Search results	10
8.	Replies to pre-contract enquiries	13
9.	Planning and building regulations	13
10.	Insurance	13
11.	Conclusion	14

SCHEDULE

SCHEDULE	OUTSTANDING MATTERS	16
----------	---------------------------	----

ANNEX

ANNEX A.	TITLE PLAN OF THE PROPERTY	17
ANNEX B.	PLAN	18
ANNEX C.	PLAN	19
ANNEX D.	PLAN	20
ANNEX E.	DISCHARGE CAPABILITIES	21
ANNEX F.	PLAN	22
ANNEX G.	PLAN	23
ANNEX H.	PLAN	24

1. INTERPRETATION

The following terms are used in this report:

Benefits: any right, easement, restriction, stipulation, restrictive covenant, mining or mineral right, franchise or other interest that benefits the Property.

Contract: the agreement to be entered into between you and the Seller for the sale and purchase of the Property.

Incumbrances: any right, easement, restriction, stipulation, restrictive covenant, mining or mineral right, franchise or other interest to which the Property is subject.

Property: The property described in paragraph 4 of this report.

Seller: Saputo Cheese (UK) Limited whose registered office is at c/o Stikeman Elliott Solicitors, Dauntsey House, 4b Frederick's Place, London EC2R 8AB, United Kingdom.

VAT: value added tax chargeable under the Value Added Tax Act 1994.

2. SCOPE OF THE REVIEW AND LIMITATION OF LIABILITY

- 2.1 This report has been prepared for the sole benefit of you, Dansco Dairy Limited in connection with your proposed purchase of the Property from the Seller and for no other purpose.
- 2.2 The contents of this report are private and confidential. It must not be relied on by or made available to any other party without our written consent.
- 2.3 **Our instructions were that the due diligence in respect of the Property would be limited to a review of the title documents to the extent that they were available from the Land Registry and to a review of search results. The Sellers solicitors have not provided us with any title documentation, nor have they provided replies to pre-contract enquiries, nor have we carried out any planning enquiries.**
- 2.4 We have not inspected the Property and are unable to advise on the physical condition of the Property. We would advise you to arrange for a survey of the Property to be carried out, if this has not already been arranged. A survey should identify any physical defects in the Property and may warn of potential defects. It is important to be aware of any defects in the Property before you exchange contracts. Once you have exchanged contracts, you will not be entitled to any compensation from the Seller if you have to put right any defects.
- 2.5 We are unable to advise on the value of the Property. We recommend that you have the Property professionally valued. You should ensure that the valuer is aware of the matters mentioned in this report, as they may affect the value.

- 2.6 At the date of this report, the matters listed in Schedule are outstanding. We will keep you informed as and when these matters are resolved.

3. **EXECUTIVE SUMMARY**

This is a summary of the major issues that we think should be brought to your attention.

- a) The Business Centre is subject to restrictive covenants in favour of the Creamery and also in favour of creameries owned by the Milk Marketing Board in Lampeter, Carmarthen and Whitland **not to use the Business Centre in connection with the manufacture of cheese, butter or any dairy product.**

The covenant expressly states that it will **not be breached for the manufacture of up to 250 tonnes of butter and/or cheese, or with the consent of the milk marketing board (on terms which it may decide) for between 250 and 500 tonnes of cheese and/or butter.** The covenant is expressed to be breached on the manufacture of 500 tonnes of cheese and/or butter.

Although the covenant binds the Business Centre and not the Creamery it could be argued that the **use of the Business Centre is in connection with the production at the Creamery.** Also of course the Creamery would not enforce the covenant against the Business Centre, but there may be an argument that the creameries in Lampeter Carmarthen or Whitland could, if they could show that these creameries are not too far away to benefit from such a covenant.

In any event we would suggest that you do at least consider whether the production that you intend will take place at the Creamery could put you in breach of the covenant and whether the Sellers have been in breach of that covenant and if so for how long.

It actually may help if the Sellers have breached the covenant, both as an indication that the Milk Marketing Board have no interest in the covenant and to support an argument that if they have not taken the point previously they cannot now.

Depending on your view of any potential breach, it may be possible to obtain defective title indemnity insurance in respect of an ongoing breach but you will be unlikely to gain such cover if the Milk Marketing Board have been contacted by the Seller or any previous owner of the Business Centre in respect of potential any breach.

- b) The Creamery, the Business Centre and the Additional Land are all **subject to any matters contained in numerous and various deeds which have not been produced to the land registry.**

It may be possible to obtain defective title indemnity insurance in respect of any future breaches of these covenants.

- c) **Neither the surface water nor the foul sewers are adopted according to the results of our drainage search.** Our examination of the title documents suggest that it was anticipated that both the surface water and the foul sewers would be adopted.

We have made enquiries of the Seller but have not received a response.

- d) **The results of the environmental search have concluded that there may be a potential source of contamination arising from the potentially contaminative past land uses which may have significant implications. They say that from their preliminary appraisal there may be a potential pollutant linkage.**

In their opinion there is a risk that the value of the Property could be impaired.

In their opinion the Property may constitute “contaminated land” as defined by Part 2A of the Environmental Protection Act 1990.

We have recommended that you carry out further environmental investigations and assessment including a full environmental survey of the Property.

You have instructed us that you do not require us to undertake any due diligence in respect of the environmental risks on the Property.

4. THE PROPERTY

- 4.1 The Property is comprised of three registered titles and comprises the freehold land and buildings described at the Land Registry as The Old Creamery, Newcastle Emlyn, Teifi Valley Business Centre, Aberarad, Newcastle Emlyn and land adjoining the Creamery, Aberarad, Newcastle Emlyn.
- 4.2 The title plans are attached as Annex A. Please check the plans carefully to ensure that they accurately reflects the extent of the land that you believe you are buying. The plan may not show the exact location of the boundaries of the Property. You should inspect the Property and let us know if there are any discrepancies between the plan and the site inspection.
- 4.3 The Property is registered at the Land Registry under:
- (a) title number WA465247 (referred to in this report as the Creamery). The class of title is absolute freehold title. Absolute title is the best class of title available,
 - (b) title number CYM13867 (referred to in this report as the Business Centre). The class of title is absolute freehold title. Absolute title is the best class of title available,
 - (c) title number CYM72133 (referred to in this report as the Additional Land). The class of title is possessory freehold title.

4.4 The registered owner of the Property is the Seller

5. MATTERS BENEFITING THE PROPERTY

The Creamery enjoys the following Benefits:

- (a) The rights against the adjoining land edged blue on Annex B being Teifi Valley Business Centre and an additional parcel of land on the other side of Glaspart Terrace being a business park:
 - (i) Passage of services through sewers and drains
 - (ii) Right to build
 - (iii) Right to enter to inspect repair and maintain sewers and drains
 - (iv) Right to enter to access electricity sub-station
 - (v) Right to enter to repair buildings
- (b) The rights against the land edged red on Annex C and Annex D being land at Brynmarlog Newcastle Emlyn :
 - (i) To operate the flow or passage of water or other non-toxic trade effluent by means of the pipeline the approximate position of which is marked with a blue line on Annex C and Annex D
 - (ii) On reasonable notice (except in emergency) to enter on foot or with vehicles, workmen, machinery and apparatus to inspect maintain, take up cleanse repair, remove and replace the pipeline making good all damage.
- (c) The benefit of covenants against land at Brynmarlog Newcastle Emlyn:
 - (i) not within 1.5 metres of the pipeline :
 - (1) to erect buildings, structures or apparatus, or trees,
 - (2) deposit materials which would raise the existing level by more than 18 inches or materially increase the cost of access to the pipeline
 - (3) permit the storage of any substances which might have corrosive or adverse effect upon the pipeline.
 - (ii) not to do or permit anything which might lessen the natural support for the pipeline, result in the existing level of the ground over the pipeline decreasing by more than 6 inches, expose or endanger the pipeline, interfere with the flow of water and trade effluent, result in the escape of water or trade effluent from the pipeline
 - (iii) use reasonable endeavours to enforce the covenants in a deed dated 15th March 1991 by the Welsh Development Agency

Note: An attachment to the deeds that grant the rights in b) and c) above contain details of discharge capacities which are not specifically referred to in the deeds. A copy of the attachment is contained at Annex E

(d) The rights to connect into and use the pipeline being the surface water drainage pipe constructed by the Welsh Development Agency (the Agency) and shown by a continuous blue line at Annex F as detailed as follows:

- (i) To connect into the pipeline at the point marked S9 at Annex F together with rights to enter on foot or with vehicles workmen materials machinery and apparatus on the land edged red at Annex F (the Red Land) to lay a drainage pipe from the land edged blue at Annex F (the Blue Land) to the point marked S9
- (ii) To discharge surface water and other non-toxic trade effluents from the Blue Land and to operate the flow or passage of water and other non-toxic effluents by means of the pipeline through the Red Land provided it has first obtained appropriate licences from the National Rivers Authority and provided a copy of the licence to the Agency.
- (iii) To enter the Red Land with or without plant equipment and materials to excavate repair maintain cleanse or renew the drainage pipe and apparatus connecting the Blue Land to the pipeline

(e) The Agency covenants to:

- (i) Construct the pipeline in a good and workmanlike manner and complete on 31st January 1993
- (ii) Use reasonable endeavours to procure that the pipeline is adopted as part of the public sewerage and drainage system as soon as reasonably practicable after construction.

Note: the drainage search has confirmed that the pipeline has not been adopted and we have made an enquiry of the Seller.

- (iii) Ensure construction of the pipeline has been properly supervised and confirmation of completion signed by the architect and consulting engineer
- (iv) Enforce any rights for defective workmanship or materials and make good any inherent defects prior to adoption
- (v) Leave open and unbuilt that part of the Red Land being 2 meters on either side of the drainage pipe
- (vi) Maintain, clean repair and renew up until adoption
- (vii) Enforce covenants contained in the following deeds :

- (1) a deed in 1992 between Dyfed County Council, Currys Group Plc and the Agency.

No copy of a deed dated 1992 is available from the land registry. However a deed dated 28 January 1993 made between these parties contains the following covenants in favour of the Agency:

not within 1.5 metres of the pipeline :

- (a) to erect buildings, structures or apparatus, or trees,
- (b) deposit materials which would raise the existing level by more than 18 inches or materially increase the cost of access to the pipeline
- (c) permit the storage of any substances which might have corrosive or adverse effect upon the pipeline.
- (d) not to do or permit anything which might lessen the natural support for the pipeline, result in the existing level of the ground over the pipeline decreasing by more than 6 inches, expose or endanger the pipeline, interfere with the flow of water and trade effluent, result in the escape of water or trade effluent from the pipeline

(2) a deed in 1991 between the Agency and M S Beckinsale and J A Lewis

(3) a deed in 1991 between the Agency and J M Beckinsale and J M Beckinsale

No copy details of these deeds available from the Land Registry or provided by Sellers.

- (f) The rights against the land coloured red at Annex G (the Red Land)
 - (i) To install a pipeline across within a 3 meter width area shown by a continuous blue line at Annex G together with rights to carry out other works for the maintenance and inspection of the pipeline or protecting it from damage
 - (ii) To operate the flow or passage of water and other non-toxic trade effluents through the Red Land
 - (iii) With consent and until the pipeline is adopted to make connections into the pipeline at any point as may be reasonable and proper along the pipeline provided that such connections do not exceed the capacity of the pipeline

Note: The benefit of the dairy products covenant detailed in the Executive Summary and at 6b) of the Business Centre Incumbrances is not noted on the registered title of the Creamery.

The Business Centre enjoys the following Benefits:

- (a) The rights contained in conveyance dated 13 February 1920 and 14 December 1956 of which no copies were supplied to the Land Registry on first registration and of which details are therefore unavailable.
- (b) The rights detailed at 6(d) below

- (c) The rights set out in a deed of release dated 6 December 1988 details of which are unavailable from the Land Registry.
- (d) The rights against the land edged red at Annex F as follows:
 - (i) Passage of services through sewers and drains
 - (ii) Rights to light
 - (iii) Right to build
 - (iv) Rights to mines and minerals

The Additional Land does not have any express Benefits.

6. MATTERS BURDENING THE PROPERTY

The Creamery is subject to the following Incumbrances:

- (a) Such restrictive covenants as may have been imposed before 18 August 1979 and are still capable of being enforced.

It may be possible to obtain defective title indemnity insurance against the enforcement of such covenants and if you were to seek to sell the Creamery in the future a purchaser may insist upon it.

- (b) All the matters contained or referred so far as they are still subsisting and affect the Creamery listed in a conveyance dated 18 August 1979, none of which documents were presented to the land registry on the first registration at the land registry.

Again, it may be possible to obtain defective title insurance against the enforcement of any rights contained within these documents and again, if you were to sell the Creamery a future purchaser may insist upon it.

- (c) All the matters contained or referred so far as they are still subsisting and affect the Creamery listed in a conveyance dated 7 October 1985, none of which documents were presented to the land registry on the first registration at the land registry. The list of documents includes consents to discharge effluent, licence to place apparatus on the highway, consent under the Land Drainage Act 1976, a licence to abstract water and a wayleave agreement

Same comments in respect of defective title indemnity insurance at a) and b) above apply.

- (d) The following rights benefiting the adjoining land edged blue on Annex B being Teifi Valley Business Centre and an additional parcel of land on the other side of Glaspart Terrace being a business park:
 - (i) Passage of services through sewers and drains
 - (ii) Right to enter to inspect repair and maintain sewers and drains
 - (iii) Right to enter to repair buildings
 - (iv) Right to use and connect into electricity cables and wires under the Property from the electricity sub-station.

Noted: By a supplemental deed dated 28 January 1993 the charges for any units of electricity supplied are prescribed as follows :

- (1) the normal week day or low/night units supplied by South Wales Electricity Company and where the seasonal maximum demand tariff applies it will only be charged on day demand units
- (2) 22.5% of the standing charges
- (3) Where site transformer losses apply a further proportion to be reasonably determined according to the number of users of the supply

- (h) That part of the Creamery tinted pink on Annex A is subject to the following covenants:

Not without first obtaining all necessary consents permit to be discharged into any sewer drains or pipes serving that part of the Creamery:

- (i) Any oil grease or deleterious dangerous poisonous or explosive matter or substance and to take all measures to ensure that any effluent discharged into sewers drains or pipes will not be harmful or corrosive to those sewers drains or pipes
 - (ii) Any fluid of a poisonous or noxious nature or of a kind likely to destroy sicken injure the fish or contaminate or pollute the water of any stream or river
- (i) An agreement dated 24 November 2003 relates to the diversion of a foul sewer shown at Annex H.

Following the issue of a Provisional Certificate, the responsibility for the maintenance of the sewer was to pass to Dwr Cymru Cyfyngedig, the sewerage undertaker. We have no additional information as to whether a Provisional Certificate has been issued, but the results of our drainage search have confirmed that the Property does not drain to a public sewer.

- (j) A deed of easement dated 24 November 2003 grants to Dwr Cymru Cyfyngedig, the sewerage undertaker, the following rights in respect of the sewer and land coloured yellow at Annex H:

- (i) not to erect any buildings or structure on the yellow land other than roadways driveways and reasonable fences
- (ii) not to use the yellow land except for agricultural or residential garden purposes or open space of for roads and services
- (iii) rights to use, inspect, maintain and cleanse the sewer on the land
- (iv) to enter on and pass along the yellow land

- (v) to passage of foul and surface water through the sewer
- (vi) to remove shrubs and buildings from the yellow land
- (vii) to erect temporary fencing to enjoy the above rights and imposes various covenants on the yellow land for the protection of the sewer including covenants:

The deed contains a declaration that if the sewer is not adopted within 21 years of the deed then the deed is void.

Note: the drainage search confirms that the sewer has not been adopted

The Business Centre is subject to the following Incumbrances:

- (a) The rights contained in conveyance dated 13 February 1920 and 14 December 1956 of which no copies were supplied to the Land Registry on first registration and of which details are therefore unavailable.

You have provided us with a copy of a defective title indemnity policy to cover this defect in title.

The insured is Dansco Dairy Products Limited and their successors in title. The limit of indemnity is £207,000.

You will need to consider whether this limit of indemnity is sufficient and whether it represents the market value of the Business Centre.

The insured use is the continued use of the property as a private dwellinghouse offices and car park in their existing form.

- (b) The covenants contained in a conveyance dated 12 April 1985 for the benefit of the Creamery and the Milk Marketing Board's Creameries at Felinfach Creamery, Felinfach, Lampeter, Dyfed, Johnstowns Creamery, Llanstephan Road, Johnstown, Carmarthen, Dyfed and Whitland Creamery, St Mary Street, Whitland, Dyfed :

- (i) not use the property or any part thereof or any building thereon for or in connection with the manufacture of:
 - (1) cheese or any substitute for cheese, or
 - (2) butter or any spread capable of being used in substitution for butter including but not limited to margarine, or
 - (3) any other dairy product or any product capable of being used as dairy product; and the decision of the Milk Marketing Board as to whether any product is a substitute for cheese or a spread which is capable of being used in substitution for butter or as a dairy product or as a product capable of being used as a substitute for a dairy product shall be final and binding;

No breach of this covenant is deemed to occur by the manufacture upon the Property of up to (but not exceeding) 250

tonnes per annum of butter and/or 250 tonnes per annum of cheese made from cows milk.

The manufacture of between 250 tonnes and 500 tonnes per annum of cheese and/or between 250 tonnes and 500 tonnes per annum of butter shall not be a breach if the prior written consent of the Milk Marketing Board has been obtained and upon such terms as the Milk Marketing Board may decide

In no circumstances shall more than 500 tonnes per annum of cheese and/or 500 tonnes per annum of butter be manufactured in or upon the Property.

The annual period is to run from 12 April to 11 April in any one year.

Any consents required to be given under this clause shall be given only by the Milk Marketing Board and the consent of the Milk Marketing Board successors in title shall not be valid.

- (ii) Not cause or permit or suffer to be done in or upon the Property or any part thereof any act or thing which may become a nuisance annoyance danger or detriment to the Milk Marketing Board or owner or occupier of the Creamery.

Note: The property that is subject to the covenants is the Business Centre and the land edged red on Annex G.

- (c) The Additional Land is subject to the following Incumbrances:

Such restrictive covenants as may have been imposed before 15 May 2002 and are still subsisting and capable of being enforced.

It may be possible to obtain defective title indemnity insurance against the enforcement of such covenants and if you were to seek to sell the Creamery in the future a purchaser may insist upon it.

7. SEARCH RESULTS

7.1 Local land charges search

A search of the local land charges register shows matters such as compulsory purchase orders, tree preservation orders, planning enforcement notices and financial charges registered against a property. You should note that the search result provides a snapshot of the register on the date of the search. Local land charges registered after the date of the search will still bind a property.

The local land charges search was provided by [NAME OF PROVIDER] on [DATE]. The result of the search did not show any entries that adversely affect the Property.

7.2 **Local authority search (including any optional and additional enquiries)**

WE HAVE NOT YET RECEIVED THE RESULTS OF OUR LOCAL AUTHORITY SEARCH

A local authority search reveals important information about a property, such as planning permissions and building regulation consents, proposals for road schemes, environmental and pollution notices and whether any part of the property is registered as common land or as a town or village green. A local authority search only reveals matters that affect the property being searched against. It will not disclose matters that affect neighbouring properties.

The local authority search was provided by [NAME OF PROVIDER] on [DATE]. The result of the search did not show any entries that adversely affect the Property and revealed the following information:

[NAME OF ROAD(S)] is a highway maintainable at public expense. However, please let us know if you are aware of anything that may indicate that the Property does not abut the highway, for example, a strip of concrete or a grass verge between the Property and the road surface. Please also let us know if you are aware that access to the Property is gained other than from the highway or if you plan to move the access to the Property from its current position.

No part of the Property is registered as common land or as a town or village green. The possibility of land being common land or a town or village green is significant, as the land may be subject to third party rights and the owner's ability to use or develop the land may be restricted. Even if land is not registered as common land or a town or village green at the date of the search, it is possible for common land or new town or village greens to be registered in some circumstances. You should let us know if you are aware of anyone other than the Seller using the Property for any purpose.

7.3 **Drainage and water enquiries**

The replies to drainage and water enquiries show whether a property is connected to the mains water supply and mains drainage. The replies may also show the location of public sewers within the boundary of a property and other such matters that may restrict development.

Replies to the drainage and water enquiries were provided by Dwr Cymru Welsh Water on 10 May 2013. The replies revealed the following information:

- (a) The Property is connected to the mains water supply on a metered basis; and
- (b) **Foul and surface water from the Property drain do not drain to a public sewer. This means that you and your neighbours may be liable to**

contribute to the cost of maintaining and repairing the private sewer or drain.

7.4 Environmental search

If a local authority determines that land is contaminated, and the party who caused or knowingly permitted the contamination cannot be found, the current owner or occupier of the land may be required to remedy the contamination. This can be an expensive process, so it is important to assess the risk of land being contaminated before committing to buy a property.

An environmental data search can be used to establish the risk of land being contaminated, by collating information from regulatory bodies, floodplain data and a review of current and historic land uses. This type of search is also known as a "desktop search". An environmental data search does not include a site visit or testing of soil or groundwater samples.

The environmental data search was provided by Landmark on 3 May 2013. The result of the search showed that :

Further action is required and has highlighted the following :

The site is within 25 metres of former tanks.

Companies associated with high risk contaminative uses are located within 25 metres of the site

There are Integrated Pollution Prevention and Control consents within 25 metres of the site held by the Seller and Dansco Dairy Products Limited.

The property, surrounding properties and respective occupiers may be considered as receptors.

There is a surface water feature within 25 metres of the site, comprising a river.

The search has concluded that there may be a potential source of contamination arising from the potentially contaminative past land uses which may have significant implications.

They say that from their preliminary appraisal there may be a potential pollutant linkage.

In their opinion there is a risk that the value of the Property could be impaired.

In their opinion the Property may constitute "contaminated land" as defined by Part 2A of the Environmental Protection Act 1990.

We have advised that you should carry out further environmental investigations including a full environmental survey.

You have instructed us that you do not require us to carry out any due diligence in respect of the environmental risks on the purchase of the Property.

We have also recommended that you obtain an environmental indemnity from the Seller. The Sellers have resisted this and on your instructions we have therefore asked them to provide a more limited indemnity for their period of ownership of the Property.

7.5 Land Registry official search

A Land Registry official search shows whether the register for a property has changed since the copy of the register was originally issued to the buyer's solicitor. The search also gives the applicant a "priority period". Any new entries that are registered in the priority period will not bind the applicant, as long as the Land Registry receives their application for registration within the priority period.

It is too early to carry out a Land Registry official search now, but we will carry out a search before completion of the purchase of the Property.

8. REPLIES TO PRE-CONTRACT ENQUIRIES

YOU HAVE INSTRUCTED US NOT TO CARRY OUT ANY PRE-CONTRACT ENQUIRIES OF THE SELLER

You should note the following information provided by the Seller in their replies to our pre-contract enquiries

9. PLANNING AND BUILDING REGULATIONS

YOU HAVE INSTRUCTED US NOT TO CARRY OUT ANY PLANNING AND BUILDING REGULATIONS ENQUIRIES.

10. INSURANCE

You will take the risk in the Property from the date that the Contract is exchanged. This means that if the Property is damaged or destroyed between exchange and completion you will still be obliged to buy the Property for the price stated in the Contract. We would strongly recommend that you arrange for the Property to be insured for its full reinstatement value from the date of exchange.

11. CONCLUSION

Subject to the matters referred to in this report and to any issues arising out of the outstanding matters listed in Schedule, we are of the opinion that upon completion of the purchase of the Property and registration at the Land Registry you will obtain a good and marketable title to the Property.

Signed: [SOLICITOR]

Date:

Schedule Outstanding matters

Local authority search

Annex A. Plan of the Property

Annex B. Plan

Annex C Plan

Annex D Plan

Annex E Discharge capabilities

Annex F Plan

Annex G Plan

Annex H Plan

Site Boundary indicated in Blue, location of work activity indicated in Red, Red square indicates rough position of new ETP



