

The Companies Acts 1985 to 1989

PRIVATE COMPANY  
LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

BAXI PARTNERSHIP LIMITED

(adopted by Special Resolution  
passed on 6th July 1991  
and amended by Special Resolutions  
passed on 27th March 1992, 8th July 1995,  
6th July 1996 and 18th January 2001)

PRELIMINARY

1. Save as hereinafter provided and except where the same are varied by or inconsistent with these Articles the Regulations contained in Table A in the Companies (Table A to F) Regulations 1985 (hereinafter referred to as "Table A") shall apply to the Company. Regulation 24, Regulation 54, Regulation 64 and Regulation 103 shall not apply to the Company. In case of any inconsistency between these Articles and any Regulations of Table A, the provisions of these Articles shall apply.

DEFINITIONS

2. In these Articles, the words standing in the first column of the following table shall bear the meanings set opposite them respectively in the second column thereof.



Words

Meanings

"The Act"

means The Companies Act 1985 (and every statutory re-enactment thereof or modification thereto for the time being in force);

"Employee"

means any person who is a director or employed by the Company or any Subsidiary thereof;

"Employee Trust"

means a trust established by the Company or any subsidiary of the Company for the benefit, inter alios, of all or any of the Employees and former Employees and, without prejudice to the generality of the foregoing, each of the following (as from time to time amended and in force) is an Employee Trust:

- (a) the Baxi Partnership Limited Employee Trust established by a Trust Deed dated 7th March 1984;
- (b) the Profit Sharing Scheme;  
and
- (c) the Baxi Partnership Limited Employee Benefit Trust established by a Trust Deed dated 15th November 1990;

"Employee Trustees" means the trustees for the time being of an Employee Trust and "Employee Trustee" means any one of such trustees;

"The Board" means the board of directors of the Company or, a duly constituted committee thereof;

"the Profit Sharing Scheme" means the Baxi Partnership Limited Profit Sharing Scheme established by a Trust Deed dated 9th March 1984 (as from time to time amended and in force);

### SHARE CAPITAL

3. The authorised share capital of the Company at the date of adoption of this Article is £1,200,000 divided into 450,000 Preference Shares of £1 each ("the Preference Shares") and 7,500,000 Ordinary Shares of 10 pence each ("the Ordinary Shares").
4. The profits of the Company which it shall be determined to distribute amongst the Members shall be applied:
  - (1) Firstly, in utilising such part (including the whole) of the profits as the Company in general meeting shall upon the recommendation of the Directors from time to time determine in the payment of a dividend to the holders of the Preference Shares in proportion to the capital paid up on their respective Preference Shares; and
  - (2) Secondly, (whether or not a dividend is to be payable to the holders of the Preference Shares under the provisions immediately preceding) in utilising the balance (if any) of the profits in the payment of a dividend to the holders of the Ordinary Shares in proportion to the capital paid up on their respective Ordinary Shares.

5. On a return of capital, whether in a winding up or otherwise, the assets available for distribution amongst the Members shall be applied, first in repaying to the holders of the Preference Shares the capital paid up on each such Preference Share and the balance of such assets shall belong to and be distributed amongst the holders of the Ordinary Shares in proportion to the capital paid up on the Ordinary Shares held by them respectively.
6. The Preference Shares shall not entitle the holders thereof to any further or other participation in the profits or assets of the Company save as provided in Articles 4 and 5 above.
7. The shares in the capital of the Company (whether forming part of the authorised share capital with which the Company is incorporated or not) shall be under the control of the Directors who may (subject to Section 80 of the Act and to paragraph (3) below) allot, grant options over or otherwise dispose of the same, to such persons, on such terms and in such manner as they think fit provided always that:
  - (1) No share shall be allotted at a discount;
  - (2) In accordance with Section 91(1) of the Act, Sections 89(1) and 90(1) to (6) (inclusive) of the Act shall not apply to the Company;
  - (3) The Directors are generally and unconditionally authorised for the purposes of Section 80 of the Act to exercise any power of the Company to allot and grant rights to subscribe for or convert securities into shares of the Company or otherwise dispose of the same at any time or times during the period of five years from the date of adoption of these Articles and the Directors may, after that period allot any shares or grant any such rights under this authority in pursuance of an offer or agreement so to do made by the Company within that period. The authority hereby given (subject to the said Section 80) may at any time be renewed, revoked or varied by Ordinary Resolution of the Company in General Meeting.

8. Subject to the provisions of Sections 125 and 126 of the Act whenever the capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding up, with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of that class but not otherwise. To every such separate meeting all the provisions of these Articles relating to General Meetings of the Company or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum) and that the holders of shares of the class shall on a poll have one vote in respect of every share of the class held by them respectively.
9. Regulation 8 of Table A shall be read and construed as if the words "(not being a fully paid share)" were deleted therefrom and the lien conferred by the said Regulation 8 shall attach to all shares registered in the name of any person indebted or under liability to the Company whether he shall be the sole registered holder thereof or shall be one or two or more joint holders.

#### TRANSFER OF SHARES

10. (1) Save as hereinafter provided in this Article or Article 11 below it shall be obligatory for the Directors to refuse to register any transfer of any share and Regulation 24 of Table A shall not apply to the Company.
- (2) The Directors shall be obliged to register any duly executed authenticated and stamped transfer of any share being:
- (a) a transfer to the Company pursuant to a purchase of own shares made in accordance with the Act;

- (b) a transfer by any Employee Trustee in his capacity as such to any person who is or was an Employee or to the personal representatives of such a person;
  - (c) a transfer by any person who is or was an Employee or by the personal representatives of such a person to any Employee Trustee in his capacity as such; and
  - (d) a transfer by any Employee Trustee in his capacity as such to any other Employee Trustee (whether of the same or any other Employee Trust) to be held in his capacity as such.
- (3) Any transfer of shares which the Directors are obliged to register in accordance with Article 10(2) shall be so registered notwithstanding that a Transfer Notice (as defined in Article 11(3)) or a Deemed Transfer Notice (as defined in Article 11(4)) has previously been given or been deemed to have been given to the Company in respect of such shares.
11. (1) Other than in the case of a transfer permitted pursuant to Article 10(2) hereof no share shall be transferred other than in the manner and at the times set out in this Article 11.
- (2) The Board shall at least once in each calendar year by notice in writing (an "Invitation Notice") invite all members of the Company (other than each of the Employee Trustees in their capacity as such) to inform the Board whether any such member wishes to dispose of any of his shares in the Company or the beneficial interest therein (the "Sale Shares") PROVIDED THAT the Board shall not be obliged to issue any invitation in any calendar year unless the Board is satisfied that at least one Employee Trust is willing and able to purchase at least some of the shares in respect of which a Transfer Notice (as defined in Article 11(3)) may be given pursuant to such invitation or in respect of which a Deemed Transfer Notice (as defined in Article 11(4)) has been previously given.
- (3) The Invitation Notice shall specify the price of each Sale Share determined in accordance with Article 11(8) below (the "Sale Price") and

the period being not less than 14 days nor more than 30 days after the date of the Invitation Notice within which any member to whom the Invitation Notice shall be addressed and who wishes to dispose of any of his shares in the Company or the beneficial interest therein (a "Transferor") may give notice in writing (a "Transfer Notice") to the Company that he wishes to dispose of one or more of his Sale Shares.

- (4) A Transfer Notice shall be deemed to have been given to the Company (a "Deemed Transfer Notice") by any Transferor who purports to transfer Sale Shares otherwise than in accordance with Article 10(2) hereof without giving a Transfer Notice to the Company and, in those circumstances the Deemed Transfer Notice shall:-
- (a) be deemed to apply to the number and class of Sale Shares purported to have been transferred;
  - (b) constitute the Company with immediate effect as the agent of the Transferor to offer for sale the Sale Shares in accordance with this Article 11 at the Sale Price and upon the terms set out in the next succeeding Invitation Notice following the Company becoming aware of the purported transfer of the Sale Shares by the Transferor and, if all or any of the Sale Shares shall not have been sold as a consequence of such offer, to offer them for sale in accordance with this Article 11 at the Sale Price and upon the terms set out in the next succeeding Invitation Notice and so on until all the Sale Shares shall have been sold;
  - (c) entitle the Company to require immediate delivery to it of the certificate for the Sale Shares; and

reference in this Article 11 to a Transfer Notice shall, where the context admits, include a reference to a Deemed Transfer Notice.

- (5) Every Transfer Notice shall:-

- (a) constitute the Company the agent of the Transferor for the sale of the Sale Shares in accordance with this Article 11 at the Sale Price;
- (b) specify the number and class of Sale Shares; and
- (c) be accompanied by the certificate for the Sale Shares.

If the capital of the Company is divided into separate classes of shares a separate Transfer Notice shall be given (or deemed to have been given) for each such class of shares. A Transfer Notice shall not be revocable except with the sanction of the directors.

- (6)
  - (a) Within 7 days of the end of the period specified in the Invitation Notice the Directors shall give notice in writing (an "Offer Notice") of the details of the Transfer Notices received offering the Sale Shares for sale to the Employee Trustees in their capacity as such. If there shall be competition between the Employee Trustees for the Sale Shares offered, such Sale Shares shall be allocated in such proportions as the Company may in its absolute discretion think fit.
  - (b) if the Employee Trustees shall not have accepted for purchase all of the Sale Shares offered, the Board shall, in its discretion, determine which of the Sale Shares shall be sold and to which of the Employee Trustees and shall notify each of the Employee Trustees willing to purchase some or all of the Sale Shares offered, in writing, of the names of the Transferors and of the respective numbers of Sale Shares to be sold by each of such Transferors to such Employee Trustees as determined by the Board in accordance with this paragraph and such Transferors shall be obliged to sell and such Employee Trustees shall be obliged to purchase the Sale Shares so notified.



- (c) If any of the Sale Shares shall not have been accepted for purchase at the expiration of the period of 7 days following the service of the Offer Notice notification of such fact shall be given in writing thereafter by the Company to the Transferor specifying the number of Sale Shares which shall not have been so accepted ("the Unallocated Sale Shares").
  - (d) Every Transfer Notice shall constitute the Company the agent of the Transferor for the sale of the Unallocated Sale Shares in accordance with this Article 11 at the Sale Price and upon the terms set out in the next succeeding Invitation Notice and so on until all the Sale Shares shall have been sold.
- (7) If the Transferor, after having become bound to transfer his shares as aforesaid, makes default in transferring the same the Company may receive the purchase money tendered by the relevant transferee and the proposed Transferor shall be deemed to have appointed any one director or the Secretary of the Company as his agent to execute a transfer of the shares which are the subject of the Transfer Notice to the transferee and upon the execution of such transfer the Company shall hold the purchase money in trust for the Transferor. The receipt of the Company for the purchase money shall be a good discharge to the transferee and after his name has been entered on the Register of Members in purported exercise of the powers conferred by this Article 11(7) the validity of the proceedings shall not be questioned by any person.
- (8) The Sale Price shall be:
- (a) if the value of a share of the same class as the Sale Share shall have been agreed with the Shares Valuation Division of the Inland Revenue for the purposes of the Profit Sharing Scheme not more than 30 days prior to the date of the Invitation Notice, that value;  
or

- (b) in any other case, such amount as may be certified by a chartered accountant or a firm of chartered accountants or a merchant bank or other person authorised to carry on investment business under the Financial Services Act 1986 appointed for such purpose by the Company ("**the Valuer**") as being, in the opinion of the Valuer who shall act as an expert and not as an arbitrator, the fair value of a Sale Share as between a willing seller and a willing buyer of Sale Shares representing not more than one per cent. of all shares of the same class as the Sale Shares in issue.

12. (1) This Article shall have effect as regards any member of the Company who is an Employee PROVIDED THAT the provisions of this Article 12 shall not apply to any shares registered in the name of such Employee in his capacity as an Employee Trustee.
- (2) If such member shall cease for whatever reason (including his death) to be an Employee then a Transfer Notice shall be deemed upon such cessation to have been given to the Company in relation to all of the shares in the capital of the Company registered in his name at the date of such cessation (save as provided above) and the provisions of Article 11 shall have effect as if such Transfer Notice so deemed to have been given were a Deemed Transfer Notice within the meaning of Article 11(4).
13. (1) This Article shall have effect as regards any member of the Company in whose name any shares shall have been registered (whether upon allotment or transfer) in pursuance of rights or interests obtained by an Employee (hereinafter in this Article referred to as an "Ex-employee" which expression shall extend to and include his Personal Representatives) PROVIDED THAT the provisions of this Article 13 shall not apply to any shares registered in the name of such Ex-Employee in his capacity as an Employee Trustee.
- (2) Immediately upon such Ex-Employee becoming a member of the Company a Transfer Notice shall be deemed to have been given to the Company in respect of all of the shares in the capital of the Company

then registered in his name (save as provided above) and the provisions of Article 11 shall have effect as if such Transfer Notice so deemed to have been given were a Deemed Transfer Notice within the meaning of Article 11(4).

14. All share certificates issued by the Company shall carry a legend indicating that the transfer of shares in the Company is subject to restrictions.
15. No share shall be registered in the names of joint holders other than the names of any Employee Trustees in their capacity as such.

#### VOTING

16. (a) Subject to Article 16(b) and to any terms as to voting upon which any shares may be issued or may for the time being be held, every Member present in person or by proxy shall have one vote on a show of hands and on a poll every Member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder Provided always that the Preference Shares shall not confer on the holders thereof the right to attend or vote at any General Meeting of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (b) Any corporation which is a member of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit (or, if such corporation is an Employee Trustee acting in its capacity as such, may authorise more than one person) to act as its representative (or representatives) at any meeting of the Company, or at any separate meeting of the holders of any class of shares. The person (or persons) so authorised shall be entitled to exercise the same power on behalf of the corporation (as if the corporation were a separate member in respect of that part of the corporation's holding to which the authorisation relates in the case of an authorisation of more than one person) as the corporation could exercise if it were an individual member of the Company and the corporation shall for the purposes of these Articles be deemed to be

present in person at any such meeting if a person so authorised is present at it.

### DIRECTORS

17. (a) Unless and until the Company in General Meeting shall otherwise determine the number of Directors shall be not less than two nor more than ten.
- (b) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £100,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of these Articles and shall accrue from day to day.
- (c) All Directors shall be subject to retirement by rotation including any managing director and any director holding any other executive office and the last sentence of Regulation 84 of Table A shall not apply to the Company.

### FINANCIAL ASSISTANCE

18. Save to the extent prohibited by the Act or otherwise by law the Company shall be entitled, subject to and in accordance with the provisions of the Act, to give financial assistance directly or indirectly for the purpose of the acquisition or proposed acquisition of any shares in the Company or any company of which it

is a subsidiary company or for the purpose of reducing or discharging any liability incurred by any person for the purpose of acquiring any shares in the Company or any company of which it is a subsidiary.

#### PURCHASE OF OWN SHARES

19. Subject to the provisions of the Act the Company may purchase its own shares and may make a payment in respect of the redemption or purchase of its own shares otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares.

#### DIVIDENDS

20. The Directors may from time to time pay to the members holding ordinary shares such interim dividends as appear to the Directors to be justified by the profits of the Company. Regulation 103 of Table A shall not apply to the Company.