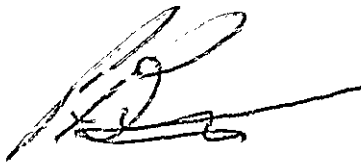
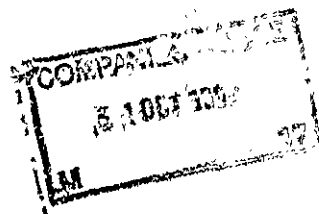


1235394



THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES



NEW

ARTICLES OF ASSOCIATION

OF

THOMAS BAILEY INVESTMENTS PLC

(Adopted by Special Resolution dated 26 October 1992)

PRELIMINARY

1. (A) The Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (such Table being hereinafter called "Table A") shall apply to the Company save in so far as they are excluded or varied and the Articles hereinafter contained shall be the regulations of the Company.
- (B) In these Articles the expression "the Act" means the Companies Act 1985, but so that any reference in these Articles to any provision of the Act or any other statutory provision or enactment shall be deemed to include a reference to any statutory modification or re-enactment of that provision for the time being in force.

PRIVATE COMPANY

2. The Company is a public Company.

SHARE CAPITAL

3. The share capital of the Company at the date of

adoption of these Articles is £900,000 divided into 500,000 Redeemable Preference Shares ("Preference Shares") of £1.00 each, 200,000 Redeemable Ordinary Shares ("Redeemable Ordinary Shares") of £1.00 each, 100,000 "A" Ordinary Shares ("A" Shares") of £1.00 each and 100,000 "B" Ordinary Shares ("B" Shares") of £1.00 each (together "the Shares") each having the rights respectively set out in these Articles. The "A" Shares and "B" Shares shall be deemed separate classes of shares but shall, (except as provided in these Articles), rank pari passu in all respects whatsoever and together with the Redeemable Ordinary Shares shall be called "the Ordinary Shares".

#### SUBSCRIPTION RIGHTS

4. All new shares shall be offered for subscription to the holders of the Ordinary Shares (which for these purposes shall be treated as one class of share) in the proportion that the aggregate number of Ordinary Shares held respectively by each such Member bears to the total number of all Ordinary Shares and such offer shall be made by notice specifying the number of shares to which the Member is entitled and limiting a time (being not less than four weeks) within which the offer if not accepted will be deemed to be declined and after the expiration of such time or on the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares so offered the Directors may dispose of the same in such manner as they may think most beneficial to the Company. If owing to fractional entitlements any difficulty shall arise in the apportionment of any such new shares amongst the members such difficulties shall in the absence of direction by the Company be determined by the Directors. The provisions of Section 89(1), Section 90(1) to (5) and Section 90(6) of the Act shall not apply to the Company.

#### 5. PREFERENCE SHARES

The rights attaching to the Preference Shares shall be as follows:-

##### (A) INCOME

The Preference Shares shall carry no right to income.

(B) CAPITAL

On a return of assets on liquidation or otherwise the assets of the Company remaining after the payment of its liabilities shall be applied first in paying to the Preference Shareholders the original subscription price per share, secondly in paying to the Redeemable Ordinary Shareholders the original subscription price per share, thirdly in paying to the 'A' Shareholders and 'B' Shareholders as if they constituted one class the original subscription price per share and so that any balance shall be distributed between the Ordinary Shareholders, as if they constituted one class of shares according to the capital paid up on the same.

(C) REDEMPTION

- (i) All or any of the Preference Shares shall be redeemed at any time by the Company with the consent of the holders of 75% in nominal value of the Ordinary Shares on written notice to that effect being given to the Preference Shareholders
- (ii) The Preference Shareholders shall be bound within seven days of receipt of the said written notice to surrender to the Company the certificate for the shares which are to be redeemed in order that the same can be cancelled and upon such surrender the Company shall pay to such holder the amount payable in respect of such redemption provided that if any certificate so surrendered to the Company includes any shares not redeemable a fresh certificate for the balance of the shares not redeemed shall be issued to the holder by the Company
- (iii) There shall be paid on each of the Preference Shares so redeemed the sum of £1.00.

(D) VOTING

The Preference Shares shall carry no right of voting.

6. REDEEMABLE ORDINARY SHARES

- (A) The Company may at any time subject to the provisions of paragraph (E) of this Article 6 with the consent of the holders of 75% in nominal value of the Ordinary Shares redeem at par all only of the Redeemable Ordinary Shares.
- (B) If the Company requires to redeem any of the Redeemable Ordinary Shares it shall serve notice in writing on the holder who shall within seven days of receipt of such notice surrender to the Company the certificate or certificates for the Redeemable Ordinary Shares to be redeemed in order that the same be cancelled and upon such surrender the Company shall pay to him the amount payable in respect of such redemption.
- (C) If any holder of Redeemable Ordinary Shares which are to be redeemed as herein provided shall fail or refuse to surrender the certificate or certificates for such Redeemable Ordinary Shares moneys payable in respect thereof shall be set aside and held by the Company in trust for such holder but without interest or further obligation whatsoever.
- (D) Until 1st January 1998 the Redeemable Ordinary Shares shall carry no right of voting but from such date will have one vote for each share.
- (E) Subject as set out in these Articles the Redeemable Ordinary Shares shall rank pari passu with the 'A' Shares and 'B' Shares and in the event that the Redeemable Ordinary Shares are not redeemed by the 31st December 1997 the holders of 75% in nominal value of the Redeemable Ordinary Shares may elect to convert their Redeemable Ordinary Shares into ordinary shares by notice in writing to the Company. In the event of such election the 'A' Shares and 'B' Shares shall each also automatically convert into ordinary shares which shall rank pari passu in all respects with the ordinary shares resulting from the conversion of the Redeemable Ordinary Shares and so that all class rights applicable to any class of Ordinary Share in existence prior to such conversion shall henceforth cease. The Company shall issue such revised share certificates to the holders of such shares as shall be appropriate.

#### GENERAL MEETINGS

7. Every notice convening a General Meeting shall comply with the provisions of Section 372 of the Act as to giving information to members in regard to their rights to appoint proxies; and notice of and other communications relating to any General Meeting which any member is entitled to receive shall be sent to the directors and to the auditors for the time being of the Company.
8. Regulation 40 of Table A shall be read as if the quorum necessary were two provided that for so long as Mr. G.S. Thomas is a member of the Company one of such persons shall be Mr. Thomas or his proxy and further provided that for so long as there are 'A' Shares and 'B' Shares any resolution proposed to be passed at a general meeting shall not be passed unless the same is passed with the consent of the holders of a majority in nominal value of the 'A' Shares and (provided Mr. G.S. Thomas does not hold any 'B' Shares at the appropriate time, but not otherwise) the holders of a majority in nominal value of the 'B' Shares.
9. Regulation 41 in Table A shall be read and construed as if the words, "and if at the adjourned Meeting a quorum is not present within half an hour from the time appointed for the Meeting the Meeting shall be dissolved" were added to the end.
10. The sentence "Signatures in the case of a body corporate which is a member shall be sufficient if made by a director thereof on its behalf" shall be deemed to have been added at the end of Regulation 53.

#### DIRECTORS

11. Regulation 64 of Table A shall not apply to the Company. There shall be a minimum number of 2 and no maximum number of Directors of the Company. For so long as there are separate classes of 'A' Shares and 'B' Shares the holders of a majority in nominal value of the 'A' Shares shall have the right to appoint up to 2 Directors who shall be called 'A' Directors and to remove any such and the holders of a majority in nominal value of the 'B' Shares shall have the right to appoint up to 2 Directors who shall be called 'B' Directors and to remove any such. Any appointment or removal pursuant to this Article shall be effected by

instrument in writing signed by the person or persons making the same or their duly authorised representatives and shall take effect when delivered to the registered office of the Company.

#### POWER AND DUTIES OF DIRECTORS

12. The Directors may exercise all the powers of the Company to borrow money without limit as to amount and upon such terms and in such manner as they think fit, and to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and, subject (in the case of any security convertible into shares) to Sections 80 and 380 of the Act to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
13. Regulation 89 of Table A shall not apply to the Company. The quorum necessary for the transaction of the business of the Directors shall be 2 and for so long as there are separate classes of 'A' Shares and 'B' Shares one of whom must be an "A" Director and (provided Mr. G.S. Thomas does not hold any 'B' Shares but not otherwise) one a "B" Director.
14. Regulation 94 in Table A shall not apply to the Company and a Director may vote as a Director in regard to any contract or arrangement in which he is interested or upon any matter arising therefrom, and if he shall so vote his vote shall be counted and shall be reckoned in estimating a quorum present at any meeting when any such contract or arrangement is under consideration.
15. Any director entitled to participate in the proceedings of a Meeting by means of a communication device (including a telephone which allows all persons present to hear at all times other persons present) shall be deemed to be present at such Meeting and shall be counted when reckoning a quorum.

#### ROTATION OF DIRECTORS

16. The Directors shall not be required to retire by rotation and Regulation 73 and 80 inclusive of Table A shall be modified accordingly.

#### INDEMNITY

17. Regulation 118 in Table A shall not apply to the

Company. Every Director or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution and discharge of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 727 of the Act in which relief is granted to him by the court, and no Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But this article shall only have effect in so far as its provisions are not avoided by Section 310 of the Act.

#### TRANSFER OF ORDINARY SHARES

18. Subject as hereinafter provided, no transfer of any share in the capital of the Company shall be made or registered without the previous sanction of the Directors who may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share whether or not it is a fully paid share. Provided always that the Directors shall sanction any transfer made in accordance with the provisions of these Articles (and in particular Article 19(C)) unless the registration thereof would permit the registration of a transfer of shares on which the Company has a lien.
19. (A) For the purpose of this Article where any person is unconditionally entitled to be registered as the holder of a share he and not the registered holder of such share shall be deemed to be the member of the Company in respect of that share and the holder thereof and the word "Member" in this Article shall be construed accordingly.
- (B) Except as hereinafter provided no share in the Company or any beneficial interest therein shall be transferred unless and until the rights of pre-emption hereinafter conferred shall have been exhausted.
- (C) (i) Any Member being a company shall be entitled for any consideration whatsoever to transfer all or any of its

shares or any beneficial interest therein to any other company or companies which are for the time being its subsidiary or subsidiary undertaking or holding company or another subsidiary or subsidiary undertaking of its holding company (each such company or undertaking being hereinafter referred to as a "Group Company") but if a Group Company whilst it is a Member shall cease to be a Group Company it shall be deemed to have given a Transfer Notice in respect of all the shares held by it pursuant to paragraph (D) of this Article 19.

- (ii) Subject as herein provided any Member ("the transferor") who is an individual may transfer all or any of his shares to his or her spouse or adult childrer or adult step children or to the trustee or trustees of a family trust set up primarily for the benefit of one or more of the transferor his or her spouse children or step children and of which the said Member is the settlor ("the transferee") PROVIDED THAT a Member acquiring shares hereunder shall not have the like right unless the transfer is to the person from whom he, she or they took the shares in the first instance or is a transfer by the trustees of any such trust as aforesaid to new trustees of the same trust on a change of trustees (provided that no change in beneficial ownership is thereby effected) or on a transfer from one nominee to another (provided as aforesaid).
- (iii) Any Member may at any time transfer any shares in accordance with the provisions of the Act to the Company.
- (iv) Any Member may at any time transfer shares or any beneficial interest therein to any other person for whatever consideration with the prior written consent of all the other Members of the Company for the time being.



(D) Any Member who desires to sell or transfer shares or any beneficial interest therein (hereinafter called "the Vendor") otherwise than in accordance with paragraph (C) of this Article shall give notice in writing (in Article 19 called "the Transfer Notice") to the Company of his desire specifying:-

- (i) the shares which he desires to sell or transfer;
- (ii) the name of any third party to whom he proposed to sell or transfer the shares;
- (iii) the price at which he desires to sell or transfer the shares; and
- (iv) whether or not it is conditional upon all and not part only of the shares comprised being sold or offered and in the absence of such stipulation it shall be deemed not to be so conditional.

(E) The Transfer Notice shall constitute the Company the agent of the Vendor for the sale of the shares specified therein (hereinafter called "the Sale Shares") in one or more lots, at the discretion of the Directors, at such price as may be specified in the Transfer Notice or, if no price is specified, at the fair value as determined by the Auditors pursuant to Article 19(J) (hereinafter referred to as "the Transfer Price").

(F) (i) The Company shall forthwith upon receipt of a Transfer Notice or, where an Auditor's valuation is required, upon receipt of such valuation, give notice in writing to each of the Members of the Company informing them that the Sale Shares are available and of the Transfer Price and shall invite him to state in writing within forty five days from the date of the said notice (which date shall be specified therein) whether he is willing to purchase any and, if so, how many of the Sale Shares provided that if a certificate of valuation is requested pursuant to Article 19(J) below the time period herein mentioned shall be deemed to be extended to a period of fourteen days after the date

on which notice of the fair value certified in accordance with that paragraph shall have been given by the Company to the Members. All shares mentioned in any Transfer Notice shall be offered in the first instance to all other Members holding Ordinary Shares on the terms that in the case of competition the shares so offered shall be sold to the Members accepting the offer in proportion (as nearly as may be) to their existing holdings of Ordinary Shares so far as such offer shall not be accepted by such Members

(ii) If any of the said Members shall within the said period referred to in subparagraph (i) above apply for all or any of the Sale Shares then:-

- (1) if the total number of shares applied for is equal to or less than the number of the Sale Shares, the Company shall allocate the number applied for in accordance with the application; or
- (2) if the total number of shares applied for is more than the number of the Sale Shares, the allocation of the Sale Shares as between the applicants shall be in proportion (as nearly as may be) to their existing holdings of Ordinary Shares;

and in either case the Company shall forthwith give notice of each such allocation (hereinafter called "an Allocation Notice") to the Vendor and each of the persons to whom Sale Shares have been allocated (hereinafter called "a Member Applicant") and shall specify in the Allocation Notice the place and time (being not later than seven days after the date of the Allocation Notice) at which the sale of the Sales Shares shall be completed.

(G) Subject to (H) below upon such allocations being

made as aforesaid, the Vendor shall be bound, on payment of the Transfer Price to transfer the shares comprised in the Allocation Notice to the Member Applicant named therein at the time and place therein specified. If he makes default in so doing the Chairman for the time being of the Company or failing him one of the Directors or some other person duly nominated by a resolution of the Board of Directors for that purpose, shall forthwith be deemed to be the duly appointed attorney of the Vendor with full power to execute complete and deliver in the name and on behalf of the Vendor a transfer of the relevant Sale Shares to the Member Applicant and the Directors may receive and give a good discharge for the purchase money on behalf of the Vendor and (subject to the transfer being duly stamped) enter the name of the Member Applicant in the register of members as the holder or holders by transfer of the shares so purchased by him or them. The Directors shall forthwith pay the purchase money into a separate bank account in the Company's name and shall hold such money in trust for the Vendor until he shall deliver up his certificate or certificates for the relevant shares to the Company when he shall thereupon be paid the purchase money.

- (H) If the Vendor shall have included in the Transfer Notice a provision that unless all the shares comprised therein are sold none shall be sold then if the total number of shares applied for is less than the number of Sale Shares the Allocation Notice shall refer to such provision and shall contain a further invitation open for 28 days to those persons to whom Sale Shares have been allocated to apply for further Sale Shares and completion of the sale in accordance with the preceding paragraphs of this Article shall be conditional upon such provision as aforesaid being complied with in full.
- (I) In the event of all the Sale Shares not being sold under the preceding paragraphs of this Article the Vendor may at any time within three calendar months after receiving confirmation from the Company that the pre-emption provisions herein contained have been exhausted transfer any Sale Shares not sold to any person or persons at any price not less than the Transfer Price save that such person or persons must have been previously approved by the Directors of the Company such

approval not to be unreasonably withheld provided that if the Vendor stipulated in the Transfer Notice that unless all the shares comprised therein were sold pursuant to this Article none should be sold, the Vendor shall not be entitled, save with the written consent of all the other Members of the Company, to sell hereunder only some of the Sale Shares comprised in the Transfer Notice to such person or persons, and provided also that any such sale shall be a bona fide sale and the Directors may require to be reasonably satisfied in such manner as they may reasonably require that the Sale Shares are being sold in pursuance of a bona fide sale for the consideration stated in the Transfer Notice without any deduction, rebate or allowance whatsoever to the purchaser and if not so satisfied may refuse to register the instrument of transfer.

No Transfer Notice once given shall be withdrawn.

- (J) (i) In the event that no Transfer Price is stipulated in the Transfer Notice the Directors shall request and so that any Member may in any event (save where the Directors have already so requested) not later than eight days after the date of the offer notice, serve on the Company a notice in writing requesting that the Auditor for the time being of the Company (or at the discretion of the Auditor, a person nominated by the President for the time being of the Institute of Chartered Accountants in the Country of the situation of its Registered Office) certify in writing the sum which in his opinion represents the fair value of the shares comprised in the transfer notice as at the date of the transfer notice (valuing the Ordinary Shares *pari passu* as one class) according to the balance sheet of the Company at the accounting reference date last preceding the date of the Transfer Notice but taking account of the effect of post balance sheet events where known and bringing in the land and properties at their market value following a revaluation carried out in accordance with Article 19(J) (ii) below and other

fixed assets at their market value at the date of receipt of the relevant notice or if there be no such balance sheet in existence at such date according to a balance sheet to be prepared for the purpose of this Article on a like basis in accordance with accounting conventions normal in the property development business and for the purpose of this Article reference to the Auditor shall include any person so nominated. For the avoidance of doubt no value shall be attributed to any investment by the Company in Bailey Homes Plc. Upon receipt of such notice the Company shall instruct the Auditor to certify as aforesaid and the costs of such valuation shall be apportioned among the proposing transferor and the purchasing Members or borne by any one or more of them as the Auditor in his absolute discretion shall decide. In certifying the fair value as aforesaid the Auditor and the Qualified Valuer as hereinafter defined shall be considered to be acting as experts and not as arbitrators or arbiters and accordingly any provisions of law or statute relating to arbitration shall not apply and their determination shall be final and binding on all concerned. Upon receipt of the certificate of the Auditor, the Company shall by notice in writing inform all Members of the fair value of each share and of the price per share (being the lower of the price specified in the transfer notice and the fair value of each share) at which the shares comprised in the transfer notice are offered for sale. For the purpose of this Article the fair value of each share comprised in the transfer notice shall be its value as a ratable proportion of the total value of all the issued Ordinary Shares of the Company and shall not be discounted or enhanced by reference to the number of shares referred to in the transfer notice and the Auditors shall be instructed accordingly.

- (ii) For the purpose of the revaluation of the land and properties pursuant to Article 19(J)(i) above the Auditor shall appoint an independent valuer being a fellow of The Royal Institution of Chartered Surveyors ("the Qualified Valuer") and for such revaluation the Qualified Valuer shall take the open market value of the land and properties on the basis of a sale between a willing buyer and a willing seller (taking into account the greater of the aggregate value of all building works in the course of erection thereon or the aggregate amount of expenditure incurred on an on-cost basis in such works).
- (K) Any person entitled to any shares in consequence of the bankruptcy of a Member ("the Bankrupt") or who is a person to whom shares formerly held by a Bankrupt have been transferred pursuant to Article 19(C) shall upon the bankruptcy of the Bankrupt be bound at any time if and when required by any other Member so to do to give a Transfer Notice in accordance with paragraph (D) above in respect of all shares then held by such Member and so that the Transfer Price of such shares shall be the fair value determined by the Auditors in accordance with paragraph (J) above.
- (L) For the purpose of ensuring that a transfer of shares is duly authorised hereunder or that no circumstances have arisen whereby a Transfer Notice is required to be given hereunder the Directors may from time to time require any Member or the legal personal representatives of any deceased Member or any person named as transferee in any transfer lodged for registration to furnish to the Company such information and evidence as the Directors may think fit regarding any matter which they deem relevant to such purpose including (but not limited to) the names addresses and interests of all persons respectively having interests in the shares from time to time registered in the Member's name. Failing such information or evidence being furnished to the satisfaction of the Directors within 28 days after request the Directors shall be entitled to refuse to register the transfer in question or (in case no transfer is in question) to require by notice in writing that a Transfer Notice be given in

respect of the shares concerned. If such information or evidence discloses that a Transfer Notice ought to have been given in respect of any shares the Directors may by notice in writing require that a Transfer Notice be given in respect of the shares concerned.

- (M) Any transfer or purported transfer of any share made otherwise than in accordance with this Article shall be void and of no effect and in any case where, pursuant to this Article, a Transfer Notice shall be required to be given in respect of any share(s) and such Transfer Notice is not duly given within a period of fourteen days such Transfer Notice shall be deemed to have been given at the expiration of the said period or at the expiry of fourteen days after the Directors first become aware of the default and the provisions of this Article shall take effect accordingly.

#### PURCHASE OF OWN SHARES

20. The Company may in accordance with and subject to Part V of the Act and all other provisions for the time being (if any) therefor:-
- (A) give financial assistance directly or indirectly for the purpose of acquiring any shares in the Company, or its holding company, or subsidiary company of its holding company, if any;
  - (B) issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder thereof except that no redeemable shares may be issued at any time when there are no issued shares of the Company which are not redeemable;
  - (C) purchase its own shares including its own redeemable shares;
  - (D) make a payment in respect of the redemption or purchase of any of its own fully-paid shares out of the distributable profits of the Company or the proceeds of a fresh issue of shares or, so long as the Company is a private company, capital, or, so long as aforesaid, partly one way and partly another, and as to redemption on such terms and in such manner as may be determined at any time or times by directors.

Provided always that any shares purchased on redeemed by the Company shall be treated as cancelled.