

THE COMPANIES ACTS 1948 TO 1976

and

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

(As amended by Special Resolutions passed on 8 May 1980

13 December 1985 and 5 October 1987)

of

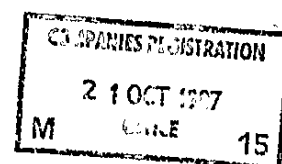
LONDON SUPERSTORES LIMITED

PRELIMINARY

1. The Regulations contained in Part I of Table A in the First Schedule to The Companies Act 1948 (such Table being hereinafter referred to as "Table A") shall apply to the Company save insofar as they are excluded or varied hereby: that is to say, Clauses 4, 24, 53, 62, 75, 77 and 79 in Part I of Table A shall not apply to the Company; and in addition to the remaining Clauses in Part I of Table A as varied hereby, the following shall be the Regulations of the Company.

2. The Company is a Private Company and Clauses 2, 4 and 5 (but not Clauses 1 and 3) in Part II of Table A shall apply to the Company.

3. The Share Capital of the Company at the date of the adoption of this Article is £100 divided into 20 Cumulative Convertible



Participating Preferred Ordinary Shares (in these Articles referred to as "Preferred Ordinary Shares") of £1 each and 80 Ordinary Shares of £1 each.

The rights attaching to the said respective classes of shares shall be as follows:-

(i) As regards income

(a) The profits which the Company may determine to distribute in respect of any financial year shall be applied in the first place in paying to the holders of the Preferred Ordinary Shares as a class a fixed cumulative preferential dividend of a net cash sum equal to 12% of the total subscription price paid therefor (hereinafter in these Articles referred to as "the Fixed Dividend") such dividend to be payable half yearly on the 30 June and the 31 December and to be distributed amongst the holders of the Preferred Ordinary Shares pro rata according to the amounts paid up or credited as paid up on the Preferred Ordinary Shares held by them respectively.

(b) The holders of the Preferred Ordinary Shares as a class shall also be entitled in respect of each financial year of the Company to a cumulative preferential dividend (hereinafter in these Articles referred to as "the Participating Dividend") of a net cash sum equal to 4% of the net profit (calculated as hereinafter provided) of the Company and its subsidiaries for the relative financial year provided that there shall be deducted from the said amount a sum equal to the total of any Fixed Dividend paid under sub-paragraph (a) above; the

Participating Dividend (if any) shall be payable not more than 14 days after the Annual General Meeting at which the Audited Accounts of the Company for the relative financial year are adopted and shall be distributed amongst the holders of the Preferred Ordinary Shares pro rata according to the amounts paid up or credited as paid up on the Preferred Ordinary Shares held by them respectively;

(c) For the purpose of calculating the Participating Dividend the expression "net profit" shall mean the net profit of the Company and its subsidiaries as shown by the Audited Consolidated Profit and Loss Account of the Company and its subsidiaries for the relative financial year (but the said amount shall be subject to such adjustment as may be necessary to ensure that the net profit is calculated to the nearest £1):-

- (1) Before any provision is made for the payment of any dividend on any share in the capital of the Company or any of its subsidiaries or for any other distribution or for the transfer of any sum to Reserve;
- (2) Before there has been deducted any corporation tax (or any other tax levied upon or measured by profit or gains) on the profits earned and gains realised by the Company and its subsidiaries;
- (3) Before there has been deducted any sum in respect of emoluments and pensions payable to the Directors of the Company or of any subsidiary

(d) The holders of the Preferred Ordinary Shares as a class shall also be entitled in respect of each financial year of the Company to a cumulative preferential dividend ("the Additional Dividend") of an amount equal to the aggregate of 9% of the pension payments (including payments into pension schemes) and 16% of all other payments comprised in the Additional Remuneration (as hereinafter defined).

For the purpose of calculating the dividend due under this Article the expression "Additional Remuneration" shall mean the aggregate of the sums receivable from the Company in respect of the relative financial year by executive directors and former executive directors of the Company and one half of the sums receivable from London and Home Counties Superstores Ltd. (formerly Dimeway Ltd.) (Company No. 1825269) in respect of the relative financial year by executive directors of London and Home Counties Superstores Ltd. who are also executive directors of the Company and any connected persons (as defined by Section 533 (2) (3) and (4) Income and Corporation Taxes Act 1970) in respect of services rendered to the Company or to London and Home Counties Superstores Ltd. by way of emoluments and pensions (including payments to pension schemes) in excess of £50,000 (or such greater amount agreed in writing from time to time by the Preferred Ordinary Shareholders).

The Additional Dividend (if any) shall be payable at the same time as the Participating Dividend;

(e) Subject to payment of the dividends referred to in

sub-paragraphs (a) (b) and (d) above any further profits which the Company may determine to distribute in respect of any financial year shall be applied first in paying to the holders of the Ordinary Shares a dividend for such year on each such share of an amount equal to the amount of the Fixed Dividend and the Participating Dividend paid for such year on each Preferred Ordinary Share and subject thereto the balance of the said profits shall be distributed amongst the holders of the Preferred Ordinary Shares and Ordinary Shares (pari passu as if the same constituted one class of share) according to the amounts paid up or credited as paid up on the Preferred Ordinary Shares and Ordinary Shares held by them respectively.

(ii) As regards capital:-

On a return of assets on liquidation or otherwise the surplus assets of the Company remaining after the payment of its liabilities shall be applied first in paying to the holders of the Preferred Ordinary Shares the subscription price per share together with a sum equal to any arrears deficiency or accruals of the cumulative dividends on the Preferred Ordinary Shares to be calculated down to the date of the return of capital and to be payable irrespective of whether such dividend has been declared or earned or not; next and subject thereto in paying to the holders of the Ordinary Shares an amount per share equal to the amount paid on each Preferred Ordinary Share; and the balance of such assets shall belong to and be distributed amongst the holders of the Preferred Ordinary Shares and Ordinary Shares (pari passu as if the same constituted one class of share) in

proportion to the amounts paid up or credited as paid up on the Preferred Ordinary Shares and Ordinary Shares held by them respectively.

(iii) As regards conversion:-

The holders of the Preferred Ordinary Shares shall be entitled at any time to convert the whole (but not a part only) of the Preferred Ordinary Shares into Ordinary Shares and the following provisions shall have effect:-

(a) Such conversion shall be effected either by notice in writing signed by the holder or holders of the majority of the Preferred Ordinary Shares given to the Company or by an Ordinary Resolution passed at a separate meeting of the holders of the Preferred Ordinary Shares which meeting shall be convened by the Directors forthwith upon the request in writing of any holder of such shares;

(b) Conversion of the Preferred Ordinary Shares into Ordinary Shares shall take effect immediately upon the date of delivery of such notice to the Company or (as the case may be) upon the date on which such resolution is passed (hereinafter called "the date of conversion");

(c) Forthwith after the date of conversion the holders of the Ordinary Shares resulting from the conversion shall send to the Company the Certificates in respect of their respective holdings of Preferred Ordinary Shares and the Company shall issue to such holders respectively Certificates for the Ordinary Shares resulting from the conversion;

u (d) The Ordinary Shares resulting from the conversion shall for purposes of dividend and voting rank pari passu in all respects with the remaining Ordinary Shares in the capital of the Company.

CLASS RIGHTS

4. 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 Provided that, without prejudice to the generality of this Article, the special rights attached to the Preferred Ordinary Shares shall be deemed to be varied:-

(i) By any alteration or increase or reduction of the

authorised or issued capital of the Company or of any of its subsidiaries, or by any variation of the rights attached to any of the Shares for the time being in the capital of the Company or of any of its subsidiaries; or

(ii) By the sale of the undertaking of the Company or of any of its subsidiaries or any substantial part thereof; or

(iii) By any alteration or relaxation of the restrictions on the powers of the Directors of the Company and its subsidiaries to borrow give guarantees or create charges; or

(iv) By the application by way of capitalisation of any sum in or towards paying up any debenture or debenture stock (whether secured or unsecured) of the Company; or

(v) By the calling of a meeting of the Company for the purpose of considering a resolution for the winding up of the Company.

FURTHER ISSUE OF SHARES

5. (i) Notwithstanding any other provisions of these Articles if the Directors shall determine to make an issue of any shares forming part of the equity share capital of the Company they shall be bound to offer to any member of the FFI Group (as hereinafter defined) for the time being holding shares in the capital of the Company such a proportion of the shares which the Directors determine to issue as the aggregate nominal value of shares in the equity share capital of the Company for the time being held by such member of the FFI Group bears to the total issued equity share capital of the Company immediately prior to the issue of the shares. Any shares issued to such member of the FFI Group pursuant to such offer shall be issued

upon such terms and conditions as to payment and otherwise as ICFC shall agree and so that such shares shall at the request of ICFC be registered in the name or names of any one or more members of the FFI Group.

(ii) For the purposes of these Articles of Association the expressions "FFI" shall mean Finance for Industry Limited "ICFC" shall mean Industrial and Commercial Finance Corporation Limited (a subsidiary of FFI) and "a member of the FFI Group" shall mean FFI, ICFC and any other subsidiary of FFI.

SHARES

6. The Shares shall be under the control of the Directors who may allot and dispose of or grant options over the same to such persons, and on such terms, and in such manner as they think fit.

7. The lien conferred by Clause 11 in Part I of Table A shall attach to fully paid up Shares and 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 of two or more joint holders.

GENERAL MEETINGS

8. Clause 54 in Part I of Table A shall be read and construed as if the words "Meeting shall be dissolved" were substituted for the words "Members present shall be a quorum".

DIRECTORS BORROWING POWERS

9. Subject as hereinafter provided the Directors may exercise all

the powers of the Company (whether express or implied):-:

- (a) of borrowing or securing the payment of money;
- (b) of guaranteeing the payment of money and the fulfilment of obligations and the performance of contracts and;
- (c) of mortgaging or charging the property assets and uncalled capital of the Company and issuing debentures but so that:-

(i) The Directors of the Company shall procure that the aggregate of the amounts for the time being remaining undischarged by virtue of any of the foregoing operations and of the amounts for the time being remaining undischarged by virtue of any like operations by any subsidiary of the Company (including any liability (whether ascertained or contingent) under any guarantee for the time being in force but excluding inter-company loans, mortgages and charges) shall not without the previous sanction of the Preferred Ordinary Shareholders exceed a sum which is the greater of £100,000 or the aggregate of the nominal amount of the share capital of the Company for the time being issued and paid up or credited as paid up and the amounts for the time being standing to the credit of the capital and revenue reserves and the share premium account of the Company and all its subsidiaries (excluding any amounts arising from the writing up of the book values of any capital assets any amounts attributable to goodwill and minority interests and any amounts set aside for future taxation) all as shown by the then latest audited Consolidated Balance Sheet of the Company;

(ii) No such sanction shall be required to the borrowing of any sum of money intended to be applied in the repayment (with or without premium) of any monies then already borrowed and outstanding, notwithstanding that the same may result in such limit being exceeded;

(iii) No lender or other person dealing with the Company shall be concerned to see or enquire whether the limit imposed by this Article is observed and no debt or liability incurred in excess of such limit shall be invalid and no security given for the same shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security or person to whom the liability is incurred at the time when the debt or liability was incurred or the security given that the limit hereby imposed has been or was thereby exceeded;

(iv) Except with the previous sanction of the holders of the Preferred Ordinary Shares no mortgage or charge shall be created on any part of the undertaking property or assets of the Company or any subsidiary of the Company except for the purpose of securing monies borrowed from bankers with interest thereon and bank charges.

DIRECTORS

10. Unless and until the Company in General Meeting shall otherwise determine, the number of Directors shall not be more than seven but need not exceed one. If and so long as there is a sole Director, he may exercise all the powers and authorities vested in the Directors by these Articles or Table A.

11. The first Director or Directors of the Company shall be the person or persons named in the Statement delivered under Section 21 of the Companies Act 1976.

12. A Director shall not be required to hold any Share qualification but he shall be entitled to receive notice of and to attend and speak at any General Meeting of the Company; and Clause 134 in Part I of Table A shall be modified accordingly.

13. A Director may vote as a Director in regard to any contract or arrangement in which he is interested or upon any matter arising thereout, and if he shall so vote his vote shall be counted and he shall be reckoned in estimating a quorum when any such contract or arrangement is under consideration; and Clause 84 in Part I of Table A shall be modified accordingly.

ALTERNATE DIRECTORS

14. Any Director may appoint any person approved by the Board to be an Alternate Director and may at any time revoke any such appointment. An Alternate Director shall be entitled to receive notice of and to attend and vote at Meetings of Directors, but shall not be entitled to any remuneration from the Company. Any appointment or revocation made under this Article shall be in writing under the hand of the Director making the same.

TRANSFER OF SHARES

15. The Directors 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 that this Article shall not apply to any transfer under the next following Article.

16. Notwithstanding any other provisions of these Articles a transfer of any shares in the Company from time to time held by any member of the FFI Group may be made from time to time between such member in the FFI Group holding such share and any other member in the FFI Group without restriction as to price or otherwise.

LIMITATION ON TRANSFER OF CONTROL

17. Notwithstanding anything in these Articles contained no sale or transfer of any shares (hereinafter called "the specified shares") conferring the right to vote at General Meetings of the Company shall if intended to be made to a person not a member of the Company on the date this Article was adopted as an Article of Association of the Company and which would result if made and registered in a person or persons who was or were not a Member or Members of the Company on that date obtaining a controlling interest in the Company, be made or registered without the previous written consent of ICFC unless, before the transfer is lodged for registration, the proposed transferee or transferees or his or their nominees has or have offered to purchase the whole of the shares registered in the name of any member of the FFI Group or their nominees at the specified price as hereinafter defined.

For the purpose of this Article the expression "a controlling interest" shall mean shares conferring in the aggregate 50% or more

of the total voting rights conferred by all the shares in the capital of the Company for the time being in issue and conferring the right to vote at all General Meetings. All other regulations of the Company relating to the transfer of shares and the right to registration of transfers shall be read subject to the provisions of this Article. Notwithstanding anything in this Article no transfer of any share shall after registration of such transfer be deemed to be invalid by reason only that it was made in contravention of the foregoing provisions, if the Directors shall prior to the registration thereof have obtained from the transferor and transferee a Statutory Declaration that so far as the transferor and the transferee are respectively aware the transfer is not being made directly or indirectly in pursuance of any arrangement for the sale or acquisition of a controlling interest in the Company and will not result in such a controlling interest being acquired by any person or persons who was or were not a member or members of the Company on the date this Article was adopted as an Article of Association of the Company.

For the purpose of this Article:-

- (i) The expressions "transfer", "transferor" and "transferee" shall include respectively the renunciation of a renounceable letter of allotment, the original allottee and the renouncee under any such letter of allotment; and
- (ii) "the specified price" shall mean a price per share at least equal to that offered or paid or payable by the proposed transferee or transferees or his or their nominees for the

specified shares to the holders thereof plus an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the specified shares which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the price paid or payable for the specified shares and in the event of disagreement the calculation of the specified price shall be referred to an umpire (acting as expert and not as arbitrator) nominated by the parties concerned (or, in the event of disagreement as to nomination, appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales) whose decision shall be final and binding.

VOTING

18. Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every Member who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a Member, shall have one vote, and on a poll every Member who is present in person or by proxy or (being a corporation) is present by a representative shall (except as hereinafter provided) have one vote for every £1 in nominal amount of shares in the capital of the Company of which he is the holder; the Preferred Ordinary Shares shall entitle the holders thereof to receive notice of all General Meetings.