52000S/R

THE COMPANIES ACTS 1948 TO 1980

Declaration of compliance with the requirements on application for registration of a company

Form No. 41a

41a

Please do not write in this binding margin

Please complete legibly, preferably in black type, or bold block lettering

Pursuant to section 3(5) of the Companies Act 1980

For official use | Company number 2029363

Name of Company

QUAYSHELFCO 135 LIMITED

*Insert full name of Company

I, SUSAN CLAIRE QUAYLE

of Narrow Quay House
Prince Street
Bristol BS1 4AH

†Please indicate whether you are a Solicitor of the Supreme Court (or in Scotland 'a Solicitor') engaged in the formation of the company, or a person named as director or secretary of the company in the statement delivered under section 21 of the Companies Act 1976

do solemnly and sincerely declare that I am† a Solicitor of the Supreme Court of Judicature engaged in the formation

of * Quayshelfco 135 Limited

and that all the requirements of the Companies Acts 1948 to 1980 in respect of the registration of the said company and of matters precedent and incidental thereto have been complied with. And I make this solemn Declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835

Declared at Narrow Quay House
Prince Street, Bristol

the 23rd day of April

One thousand nine hundred and Eighty Six

before me

~~A Commissioner for Oaths or Notary Public or Justice of the Peace or~~ Solicitor having the powers conferred on a Commissioner for Oaths

Signature of Declarant

Susan C. Quayle

Presentor's name, address and reference (if any):

Burges Salmon
Narrow Quay House
Prince Street
Bristol BS1 4AH

Ref:

For official use
New companies section

Post room

COMPANIES REGISTRATION OFFICE
20 MAY 1986

COMPANIES REGISTRATION OFFICE
- 3 MAY 1986
26

1766/86

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

QUAYSHELFCO 135 LIMITED

1. The name of the Company is "QUAYSHELFCO 135 LIMITED".

2. The registered office of the Company will be situate in England and Wales.

2029363

3. The objects for which the Company is established are:-

(A) To carry on any business, undertaking, transaction or operation commonly carried on or undertaken by manufacturers, Merchants and dealers (both wholesale and retail) in all or any articles of commercial and personal use and consumption, or by providers of services, importers, exporters, shipowners, bankers, factors, capitalists, promoters, financiers, real property dealers and investors, concessionaires, brokers, contractors, mercantile and general agents, advertising agents, publishers, carriers and transporters of all kinds and to carry on all or any of the said businesses either together as one business or as separate distinct businesses in any part of the world.

(B) To acquire and assume for any estate or interest and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act and carry on business as a holding company.

(C) To manufacture, process, import, export, deal in and store any goods and other things and to carry on the business of manufacturers, processers, importers, exporters and storers of and dealers in any goods and other things.

(D) To acquire and exploit lands, mines and mineral rights and any interest therein and to acquire, explore for and exploit any natural resources and to carry on any business involving the ownership or possession of lands or other immovable property or buildings or structures thereon and to construct, erect, install, enlarge, alter and maintain buildings, plant and machinery and to carry on business as builders, contractors and engineers.

(E) To provide services of all descriptions and to carry on business as advisers, consultants, brokers and agents of any kind.

(F) To advertise, market and sell the products of the Company and of any other person and to carry on the business of advertisers or advertising agents or of a marketing and selling organisation or of a supplier, wholesaler, retailer, Merchant or dealer of any kind.

1766

(G) To provide technical, cultural, artistic, educational, entertainment or business material, facilities or services and to carry on any business involving any such provision.

(H) To lend money, grant or provide credit and financial accommodation, to any person and to carry on the business of a banking, finance or insurance company.

(I) To invest money of the Company in any investments and to hold, sell or otherwise deal with such investments, and to carry on the business of a property or investment company.

(J) To acquire and carry on any business carried on by a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company.

(K) To enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises and concessions and to carry out, exercise and comply with the same.

(L) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by the creation and issue of securities.

(M) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.

(N) To amalgamate or enter into partnership or any profit-sharing arrangement with, and co-operate or participate in any way with, and assist or subsidise any person.

(O) To accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, and other instruments and securities, whether negotiable or otherwise.

(P) To apply for and take out, purchase or otherwise acquire any trade and service marks and names, designs, patents, patent rights, inventions and secret processes and to carry on the business of an inventor, designer or research organisation.

(Q) To sell, exchange, Mortgage, charge, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose

1686

of, all or any part of the undertaking, property and assets (present and future) of the Company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities.

(R) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

(S) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind and to undertake and execute any trust.

(T) To establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees, or those of its subsidiary or holding company or subsidiary of its holding company, or by or for the benefit of such other persons as may for the time being be permitted by law, or any scheme for sharing profits with its employees or those of its subsidiary and/or associated companies, and (so far as for the time being permitted by law) to lend money to the Company's employees (other than directors) with a view to enabling them to acquire shares in the Company or its holding company.

(U) To pay all the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and incorporation of the Company, and to procure the registration or incorporation of the Company in or under the laws of any place outside England.

(V) To grant pensions, annuities, or other allowances, including allowances on death, to any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or any predecessor in business of any of them and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or whom the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payments towards insurances or other arrangements likely to benefit any such persons or otherwise advance the interests of the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly to further the interests of the Company or of its Members

or for any national, charitable, benevolent, educational, social, public, general or useful object.

(W) To cease carrying on or wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.

(X) To distribute any of the property of the Company among its creditors and Members in specie or kind.

(Y) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.

(Z) To carry on any other business or activity and do anything of any nature which in the opinion of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its Members.

(AA) To do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that "company" in this Clause, except where used in reference to this Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this Clause shall not, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company, but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.

4. The liability of the Members is limited.

5. The share capital of the Company is £100 divided into 100 Shares of £1 each, and the Company shall have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Asscciation, and we respectively agree to take the number of shares in the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
R.T. Wynn-Jones Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One
S.C. Quayle Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One

DATED the 23rd day of April 1986

WITNESS to the above signatures:-

Debra French
Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Secretary

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

QUAYSHELFCO 135 LIMITED

2029363

1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the Act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date

COMPANIES REGISTRATION OFFICE 20 MAY 1986 55 OFFICE
COMPANIES REGISTRATION OFFICE 13 MAY 1986 26 OFFICE

five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount of the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

7. Any Member may transfer all or any of his shares whether or not there may be any uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the transferor and signature by or on behalf of the transferee shall not be required and on registration of the transfer the transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply.

8. 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. Regulation 24 of Table A shall be varied accordingly.

9. Article 8 shall apply where a member entitled to an allotment or share gives a direction (whether by way of renunciation, nomination or otherwise) to the effect that such shares or any of them be allotted or issued to some person other than the Member and for the purpose of Article 8 such direction shall be deemed a transfer.

PROCEEDINGS AT GENERAL MEETINGS

10. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

11. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

12. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Directors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified acco dingly. The first Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

13. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

14. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

POWERS AND DUTIES OF DIRECTORS

15. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

16. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

17. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

18. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

19. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

20. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

21. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

22. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

23. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other address given by him to the Company for this purpose, but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

24. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

25. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

NOTICES

26. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these

Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

27. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

28. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

1666

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

R.T. Wynn-Jones

Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Solicitor

S.C. Quayle

Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Solicitor

DATED the 23rd day of April 1986

WITNESS to the above signatures

Debra French
Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Secretary

1676/86

QUAYSHELFCO LIMITED

Draft (8)/

NEW STANDARD
ARTICLES OF ASSOCIATION

Ref: SQ/122/123 / DAB 3.7.85

Burges Salmon
Solicitors
Narrow Quay House
Prince Street
Bristol BS1 4AH

WD 48

Form No. 1

THE COMPANIES ACTS 1948 TO 1981

Statement of first directors and secretary and intended situation of registered office

Pursuant to sections 21 and 23(2) of the Companies Act 1976

Please do not write in this binding margin

Please complete legibly, preferably in black type, bold block lettering

To the Registrar of Companies

For official use
2029363

Name of Company

QUAYSHELFCO 135

Limited*

* delete if inappropriate

The intended situation of the registered office of the company on incorporation is as stated below

Narrow Quay House
Prince Street
Bristol
BS1 4AH

If the memorandum is delivered by an agent for the subscribers of the memorandum please mark 'X' in the box opposite and insert the agent's name and address below

X

Burges Salmon
Narrow Quay House
Prince Street, Bristol, BS1 4AH

Number of continuation sheets attached (see note 1)

Presentor's name, address and reference (if any):

Burges Salmon
Narrow Quay House
Prince Street
Bristol BS1 4AH

Ref:

For official use
General section

Post room

REGISTRATION
20 MAY 1986
55
OFFICE

The name(s) and particulars of the person who is, or the persons who are, to be the first director or directors of the company(note 2) are as follows:

Name (note 3) RICHARD THOMAS WYNN-JONES	Business occupation Solicitor
Previous name(s) (note 3)	Nationality British
Address (note 4) Narrow Quay House Prince Street Bristol BS1 4AH	Date of birth (where applicable) (note 6)
Other directorships †	
I hereby consent to act as director of the company named on page 1 Signature R. Wynn-Jones	Date 23/4/86

Name (note 3) SUSAN CLAIRE QUAYLE	Business occupation Solicitor
Previous name(s) (note 3)	Nationality British
Address (note 4) Narrow Quay House Prince Street Bristol BS1 4AH	Date of birth (where applicable) (note 6)
Other directorships †	
I hereby consent to act as director of the company named on page 1 Signature Susan C. Quayle	Date 23/4/86

Name (note 3)	Business occupation
Previous name(s) (note 3)	Nationality
Address (note 4)	Date of birth (where applicable) (note 6)
Other directorships †	
I hereby consent to act as director of the company named on page 1 Signature	Date

Please do not write in this binding margin

Important The particulars to be given are those referred to in section 21(2)(a) of the Companies Act 1976 and section 200(2) of the Companies Act 1948 as amended by section 95 of the Companies Act 1981. Please read the notes on page 4 before completing this part of the form.

†enter particulars of other directorships held or previously held (see note 5). If this space is insufficient use a continuation sheet.

Please do not write in this binding margin

Important The particulars to be given are those referred to in section 21(2)(b) of the Companies Act 1976 and section 200(3) of the Companies Act 1948. Please read the notes on page 4 before completing this part of the form.

The name(s) to be the fi

Name (no

Previous n

Address (

I hereby c

Signature

Name (n

Previous

Address

I hereby

Signature

* as required by section 21(3) of the Companies Act 1976

† delete as appropriate

Signed by

Signature

Signature

Please do not write in this binding margin

Important
The particulars to be given are those referred to in section 21(2)(a) of the Companies Act 1976 and section 200(2) of the Companies Act 1948 as amended by section 95 of the Companies Act 1981. Please read the notes on page 4 before completing this part of the form.

† enter particulars of other directorships held or previously held (see note 5). If this space is insufficient use a continuation sheet.

Please do not write in this binding margin

Important
The particulars to be given are those referred to in section 21(2)(b) and section 200(3) of the Companies Act 1948. Please read the notes on page 4 before completing this part of the form.

The name(s) and particulars of the person who is, or the persons who are, to be the first secretary, or joint secretaries, of the company are as follows:

Name (notes 3 & 7)	SUSAN CLAIRE QUAYLE
Previous name(s) (note 3)	
Address (notes 4 & 7)	Narrow Quay House Prince Street Bristol BS1 4AH
I hereby consent to act as secretary of the company named on page 1 Signature Susan C. Quayle	Date 23/4/86

Name (notes 3 & 7)	
Previous name(s) (note 3)	
Address (notes 4 & 7)	
I hereby consent to act as secretary of the company named on page 1 Signature	Date

* as required by section 21(3) of the Companies Act 1976

† delete as appropriate

Signed by or on behalf of the subscribers of the memorandum*

Signature Burges Salmon [~~Subscriber~~] [Agent]† Date 23/4/86

Signature [Subscriber] [Agent]† Date

FILE COPY

CERTIFICATE OF INCORPORATION

OF A PRIVATE LIMITED COMPANY

No. 2020363

I hereby certify that

QUAYSHELFCO 135 LIMITED

is this day incorporated under the Companies Act 1985 as a private company and that the Company is limited.

Given under my hand at the Companies Registration Office, Cardiff the 13TH JUNE 1986

D. G. BLACKSTOCK

an authorised officer

C.173

Co No
2029363

RECEIPT UNSTAMPED £ 40
REGD 35178/0
SECT 19 allowed
DATE 19/9/86

QUAYSHELFCO 135 LIMITED

WRITTEN RESOLUTION OF THE SHAREHOLDERS OF QUAYSHELFCO 135 LIMITED

We, being all the Members of Quayshelfco 135 Limited, hereby resolve (pursuant to the provisions of Regulation 53 of Table A (as defined in the Articles of Association of the Company)) that the following be passed as a Special Resolution:

That the name of the Company be changed to Badgerline Holdings Limited

Dated 19th August 1986

Susan C. Quayle

S.C. Quayle

R T Wynn Jones by his attorney D Marsh

D.J. Marsh (as Attorney for R.T. Wynn-Jones)

FILE COPY

CERTIFICATE OF INCORPORATION

ON CHANGE OF NAME

No. 2029363

I hereby certify that

QUAYSHELFCO 135 LIMITED

having by special resolution changed its name, is now incorporated under the name of

BADGERLINE HOLDINGS LIMITED

Given under my hand at the Companies Registration Office, Cardiff the 1ST SEPTEMBER 1986

Mrs P. A. Rowley

MRS. P. A. ROWLEY

an authorised officer

C.172

1009943

12

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

BADGERLINE HOLDINGS LIMITED

1. The name of the Company is "BADGERLINE HOLDINGS LIMITED".

2. The registered office of the Company will be situate in England and Wales.

3. The objects for which the Company is established are:-

(A) To carry on any business, undertaking, transaction or operation commonly carried on or undertaken by manufacturers, Merchants and dealers (both wholesale and retail) in all or any articles of commercial and personal use and consumption, or by providers of services, importers, exporters, shipowners, bankers, factors, capitalists, promoters, financiers, real property dealers and investors, concessionaires, brokers, contractors, mercantile and general agents, advertising agents, publishers, carriers and transporters of all kinds and to carry on all or any of the said businesses either together as one business or as separate distinct businesses in any part of the world.

(BB) To act as a holding Company and to invest any money of the Company in and to hold, sell and deal with the stock, shares, bonds, debentures, debenture stock, obligations, notes and securities of any state, company, corporation, municipal or local authority or other body or authority.

(B) To acquire and assume for any estate or interest and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act and carry on business as a holding company.

(C) To manufacture, process, import, export, deal in and store any goods and other things and to carry on the business of manufacturers, processers, importers, exporters and storers of and dealers in any goods and other things.

(D) To acquire and exploit lands, mines and mineral rights and any interest therein and to acquire, explore for and exploit any natural resources and to carry on any business involving the ownership or possession of lands or other immovable property or buildings or structures thereon and to construct, erect, install, enlarge, alter and maintain buildings, plant and machinery and to carry on business as builders, contractors and engineers.

COMPANIES REGISTRATION M - 3 OCT 1986 67 OFFICE

The name of the Company was changed from Quayshelfco 135 Limited by Special Resolution passed on 19th August 1986

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(E) To provide services of all descriptions and to carry on business as advisers, consultants, brokers and agents of any kind.

(F) To advertise, market and sell the products of the Company and of any other person and to carry on the business of advertisers or advertising agents or of a marketing and selling organisation or of a supplier, wholesaler, retailer, Merchant or dealer of any kind.

(G) To provide technical, cultural, artistic, educational, entertainment or business material, facilities or services and to carry on any business involving any such provision.

(H) To lend money, grant or provide credit and financial accommodation, to any person and to carry on the business of a banking, finance or insurance company.

(I) To invest money of the Company in any investments and to hold, sell or otherwise deal with such investments, and to carry on the business of a property or investment company.

(J) To acquire and carry on any business carried on by a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company.

(K) To enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises and concessions and to carry out, exercise and comply with the same.

(L) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by the creation and issue of securities.

(M) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.

(N) To amalgamate or enter into partnership or any profit-sharing arrangement with, and co-operate or participate in any way with, and assist or subsidise any person.

(O) To accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, and other instruments and securities, whether negotiable or otherwise.

(P) To apply for and take out, purchase or otherwise acquire any trade and service marks and names, designs, patents, patent rights, inventions and secret processes and to carry on the business of an inventor, designer or research organisation.

(Q) To sell, exchange, Mortgage, charge, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose of, all or any part of the undertaking, property and assets (present and future) of the Company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities.

(R) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

(S) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind and to undertake and execute any trust.

(T) To establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees, or those of its subsidiary or holding company or subsidiary of its holding company, or by or for the benefit of such other persons as may for the time being be permitted by law, or any scheme for sharing profits with its employees or those of its subsidiary and/or associated companies, and (so far as for the time being permitted by law) to lend money to the Company's employees (other than directors) with a view to enabling them to acquire shares in the Company or its holding company.

(U) To pay all the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and incorporation of the Company, and to procure the registration or incorporation of the Company in or under the laws of any place outside England.

(V) To grant pensions, annuities, or other allowances, including allowances on death, to any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or any predecessor in business of any of them and to the relations,

connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or whom the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payments towards insurances or other arrangements likely to benefit any such persons or otherwise advance the interests of the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly to further the interests of the Company or of its Members or for any national, charitable, benevolent, educational, social, public, general or useful object.

(W) To cease carrying on or wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.

(X) To distribute any of the property of the Company among its creditors and Members in specie or kind.

(Y) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.

(Z) To carry on any other business or activity and do anything of any nature which in the opinion of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its Members.

(AA) To do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that "company" in this Clause, except where used in reference to this Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this Clause shall not, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company, but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.

4. The liability of the Members is limited.

5. The share capital of the Company is £166,825 divided into 166,825 Shares of £1 each, and the Company shall have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

The share capital was increased from £100 by Ordinary Resolution passed on 23rd September 1986

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
R.T. Wynn-Jones Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One
S.C. Quayle Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One

DATED the day of 198

WITNESS to the above signatures:-

Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Secretary

G

COMPANIES FORM No. 123

Notice of increase in nominal capital

123

Please do not write in this margin

Pursuant to section 123 of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies

For official use

Company number 2029363

Name of company

* BADGERLINE HOLDINGS LIMITED

* insert full name of company

gives notice in accordance with section 123 of the above Act that by resolution of the company dated 23rd September 1986 the nominal capital of the company has been increased by £ 166,725 beyond the registered capital of £ 100.

§ the copy must be printed or in some other form approved by the registrar

A copy of the resolution authorising the increase is attached.§

The conditions (eg. voting rights, dividend rights, winding-up rights etc.) subject to which the new shares have been or are to be issued are as follow:

All in accordance with the provisions of the new Articles of Association of the Company adopted by Special Resolution duly passed on the above date

Please tick here if continued overleaf ☐

† delete as appropriate

Signed R. Wilman [Director][Secretary]† Date 23/9/86

Presentor's name address and reference (if any):

Burges Salmon
Narrow Quay House
Prince Street
Bristol
BS1 4AH

For official Use

General Section

Post room

COMPANIES REGISTRATION OFFICE
- 3 OCT 1986
67

2029363

Fee Transferred 33778/0 1/9/86

Number: 2029363

THE COMPANIES ACT 1985

QUAYSHELFCO 135 LIMITED

COMPANIES REGISTRATION OFFICE 22 JUL 1986 NO

The Shareholders of the above Company passed the following Resolution as a Special Resolution on 19th August 1986:

That the name of the Company be changed to Badgerline Holdings Limited.

Susan C. Maye

CHAIRMAN

COMPANIES REGISTRATION OFFICE 22 AUG 1986 NO

RES. FOR PUBLIC FILE NO ACTION TAKEN

22 AUG 1986

NLW

Fico -

010794

01,04,10 2029363/C

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BADGERLINE HOLDINGS LIMITED

At an Extraordinary General Meeting of the above named Company duly convened and held at 172 Buckingham Palace Road, London SW1 on 23rd September 1986 the following resolutions were duly passed, numbers 1, 3 and 4 as Special Resolutions and number 2 as an Ordinary Resolution.

SPECIAL RESOLUTION

1. That the provisions of the Company's Memorandum of Association with respect to its objects be amended by the adoption immediately after Clause 3(A) of the following new Clause to be numbered 3(BB):-

"3(BB) To act as a holding company and to invest any money of the Company in and to hold, sell and deal with the stock, shares, bonds, debentures, debenture stock, obligations, notes and securities of any state, company, corporation, municipal or local authority, or other body or authority."

ORDINARY RESOLUTION

2. That the capital of the Company be and it is hereby increased from £100 to £166,825 by the creation of 166,725 Ordinary Shares of £1 each all having the rights and obligations set out in the New Articles of Association of the Company proposed to be adopted pursuant to Resolution 4 below.

SPECIAL RESOLUTIONS

3. (a) That the Directors are unconditonally authorised for the purpose of Section 80 Companies Act 1985 to allot and dispose of or grant options over 166,823 Ordinary Shares to such persons on such terms and in such manner as they think fit at any time prior to 31st December 1986.

COMPANIES REGISTRATION M -3 OCT 1986 67 OFFICE

(b) That the subscription by the persons whose names and addresses are set out in the list attached hereto for 166,823 Ordinary Shares of

£1 each be and they are hereby approved.

4. That subject to the passing of Resolutions 2 and 3 above the new Articles of Association (a copy of which is produced to the Meeting and signed for the purposes of identification by the Chairman) be and they are hereby adopted as the Articles of Association of the Company in substitution for all previous Articles of Association.

T. Smallwood

.....

Chairman

1962777

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

N E W

A R T I C L E S O F A S S O C I A T I O N

of

BADGERLINE HOLDINGS LIMITED

(Adopted by Special Resolution passed on 23rd September 1986)

1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Share Capital of the Company is £166,~~300~~ 825 divided into Ordinary Shares of £1 each. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

COMPANIES REGISTRATION M 67 -3 OCT 1986 OFFICE

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional

'and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount of the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

7. (1) Subject to the following provisions of this Article any Member may transfer all or any of his shares whether or not there may be any

uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the Transferor and signature by or on behalf of the Transferee shall not be required and on registration of the transfer the Transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply. No transfer of shares shall however be made other than in accordance with the following provisions of this Article.

(2) Any member wishing to transfer any of his shares in the Company ("the Transferor") shall first offer them to the other holders of shares by means of notice of such offer to the Company. Any such offer once made is herein referred to as a "Transfer Offer" and shall not be capable of being withdrawn without the consent of the Directors. The Directors shall procure that within 21 days of receipt of a Transfer Offer from the Transferor it is notified to all other members of the Company. Such of the other members who wish to accept the Transfer Offer shall signify their acceptance of it in writing to the Company within thirty days of the price of the shares to be transferred being certified in accordance with sub-article (6) below. The shares to be transferred shall be divided amongst the proposed Transferees (if more than one) and/or amongst such employees of the Company or its Subsidiaries who are not already members of the Company in such proportions as the Directors shall determine in any particular case but so that no proposed Transferee shall be obliged to accept the transfer of more shares than he or it has expressed a wish to accept. If at the expiry of the thirty days above referred to no member or employee nominated by the Directors has accepted the Transfer Offer or if offers have only been accepted for part of the shares comprised in the Transfer Offer that Transfer Offer shall be deemed to be extended in respect of such shares still available for transfer in accordance with sub-article (3) and (4) below.

(3) Subject always to Sections 162 and 181 Companies Act 1985 in the event that there are shares the subject of a Transfer Offer still available for transfer after the expiry of the period referred to in sub-article (2) above the Company shall have power and may at its discretion purchase those shares at a price certified under sub-article (6) below. Subject as aforesaid any such purchase by the Company may be made either out of distributable profits or out of the proceeds of a fresh issue of shares or by way of payment out of capital. In the event that the Company is unable or unwilling to purchase the said shares or fails to complete the purchase within seventy days of the Transfer Offer being extended to it the Transfer shall be deemed to be extended in respect of any shares still available for transfer in accordance with sub-article (4) below.

(4) Subject o the powers and duties conferred by the trusts of any Pension Scheme of which employees of the Company or of any Subsidiary of the Company are members in the event that there are shares the subject of a Transfer Offer still available for transfer after the expiry of the period referred to in sub-article (3) above the Trustees of such Pension Scheme shall be entitled to purchase such shares at the price certified under sub-article (6) below and to hold them in accordance with terms of the said scheme. In the event that the Trustees are unwilling or unable to purchase the said shares or fail to complete the purchase within 30 days of the Transfer Offer being extended to them the Transferor shall be entitled to transfer the shares the subject of the Transfer Offer to any person.

(5) No transfer of shares shall be made under sub-article (2) (3) or (4) of this Article other than at the price certified pursuant to sub-article (6) below save that if the Transferor shall have exhausted the procedure set out in sub-article (2) (3) and (4) of this Article and is unable to sell his or its shares to any other person at such price he or it shall be entitled to sell at such lower price that he or it shall think fit but not without first having offered the shares by notice to the Company at that lower price to the other members or employees and (if necessary) thereafter to the Company and (if necessary) thereafter to the Trustees of such Pension Scheme as is referred to in sub-article (4) above all in accordance with the provisions of sub-articles (2) (3) and (4) of this Article which shall mutatis mutandis apply

(6) The price of any shares the subject of a Transfer Offer shall be the price per share certified by the Auditors for the time being of the Company. In certifying the price the Auditors shall make their calculation on the basis of the price that would be paid in the open market as between a willing buyer and a willing seller of the shares in question no discount being applied for the fact (if it be the case) that the shares constitute a minority holding Provided that the price certified as above shall not be less than the price per share (if any) which the Transferor shall have been offered by any bona fide third party

(7) Where any holder of any share who is a director or employee of the Company or any of its subsidiaries ceases to be a director or to be so employed for any reason he or his personal representatives (as the case may be) shall be deemed forthwith upon such cessation to have made an irrevocable Transfer Offer in respect of all of the shares held by him and the provisions of this Article shall apply.

(8) If a Transfer Offer is accepted in any manner contemplated by this Article the Transferor shall thereafter be obliged to execute the appropriate forms of share transfer and to produce them and the appropriate share certificate or certificates to the Company which shall act as the Transferor's agent in completing the transfer or transfers. If any Transferor becomes obliged under this Article to complete the transfer of any shares under a Transfer Offer but fails to do so any Director is hereby irrevocably empowered to complete the transfer on his or its behalf and the receipt of the consideration for transfer by the Company shall be a good discharge to the Transferee of the shares.

(9) Any direction or nomination as to allotment of shares issued by the Company or renunciation of that allotment or the right to that allotment by any member other than to himself shall be treated in the same way as if it were a transfer of shares and shall be subject to the same rights and restrictions as are set out in sub-Articles (2) to (8) inclusive of this Article

8. 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. Regulation 24 and 25 of Table A shall be varied accordingly.

PROCEEDINGS AT GENERAL MEETINGS

9. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

10. Subject to any rights or restrictions for the time being attached to

any class or classes of shares and to Article 9 above, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

11. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Directors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified accordingly. The first Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

12. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

13. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

POWERS AND DUTIES OF DIRECTORS

14. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

15. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

16. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

17. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

18. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

19. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

20. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

21. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

22. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other

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address given by him to the Company for this purpose, but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

23. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

24. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

NOTICES

25. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

26. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

27. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses

and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

COMPANIES FORM No. 123

OLD TYPE

Notice of increase in nominal capital

123

Please do not write in this margin

Pursuant to section 123 of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies

For official use [1114]

Company number 2029363

Name of company

* BADGERLINE HOLDINGS LIMITED

* insert full name of company

gives notice in accordance with section 123 of the above Act that by resolution of the company dated 21st MAY 1987 the nominal capital of the company has been increased by £ 1,833,175 beyond the registered capital of £ 166,825.

§ the copy must be printed or in some other form approved by the registrar

A copy of the resolution authorising the increase is attached.§

The conditions (eg. voting rights, dividend rights, winding-up rights etc.) subject to which the new shares have been or are to be issued are as follow:

Ranking pari passu in all respects with the existing ordinary shares

Please tick here if continued overleaf ☐

Signed J Hallwood [Director][~~Secretary~~]† Date 21/5/87.

† delete as appropriate

Presentor's name address and reference (if any):

Burges Salmon
Solicitors
Narrow Quay House
Prince Street
Bristol BS1 4AH

Ref: RAB

For official Use
General Section

Post room

2212187

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

of

BADGERLINE HOLDINGS LIMITED

At the Annual General Meeting of Badgerline Limited ("the Company") duly convened and held on 21st May 1987 the following resolution was duly passed as a Special Resolution:-

SPECIAL RESOLUTION

That:-

(A) The authorised share capital of the Company be increased from £166,825 to £2,000,000 by the creation of a further 1,833,175 Ordinary Shares of £1 each ranking pari passu in all respects with the existing Ordinary Shares of the Company;

(B) Upon the recommendation of the Directors it is desirable to capitalise the sum of £834,125 being part of the amount standing to the credit of the Company's reserves and accordingly that the Directors be authorised and directed to appropriate the said sum to and amongst the persons registered immediately prior to the passing of this Special Resolution as the holders of the issued Ordinary

COMPANY REGISTRATION OFFICE 16 JUL 1987

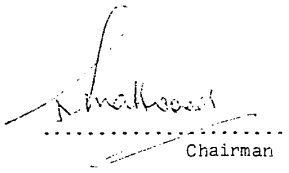
Shares of £1 each in the capital of the Company in the proportions in which such sum would have been divisable among them had the same been applied in paying dividends and to apply such sum on their behalf in paying up in full 834,125 Ordinary Shares of £1 each to be allotted forthwith and distributed credited as fully paid to and amongst the said holders in the proportion of 5 new Ordinary Shares of £1 each for every Ordinary Share of £1 then held by them respectively and so that the said 834,125 new Ordinary Shars of £1 each shall rank pari passu in all respects with the existing Ordinary Shares and will participate in all dividends declared or paid thereon;

(C) Pursuant to Section 80 (1) of the Companies Act, 1985 the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allow relevant securities (as defined in sub-section (2) of Section 80) up to a maximum nominal amount of £1,833,175 during the period commencing with the date of the passing of this resolution and expiring on the fifth anniversary of the date of this resolution and to make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority;

(D) Pursuant to Section 95 (1) of the Companies Act, 1985 the Directors of the Company be and are hereby authorised to allot equity securities (as in the meaning of Section 94 of the Companies Act, 1985) pursuant to the authority conferred by the immediately

preceeding paragraph of this resolution as if Section 89 (1) of the Companies Act, 1985 did not apply to such allotment provided that this power should be limited to the allotment of equity securities up to an aggregate nominal value of £1,833,175 and shall expire on the fifth anniversary of the date of the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

(E) The Articles of Association in the form produced to the Meeting (and for the purpose of identification signed by the Chairman) be and they are hereby adopted as the new Articles of Association of the Company to the exclusion of the existing Articles of Association of the Company.



Chairman

2212787

2029363

BADGERLINE HOLDINGS LIMITED

ARTICLES OF ASSOCIATION
(adopted by special resolution on
21st May 1987)

Ref: RAB/1.17/JMM 22.10.86
(Revised: 21.4.87 DB)

Burges Salmon
Solicitors
Narrow Quay House
Prince Street
Bristol BS1 4AH

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

N E W

A R T I C L E S O F A S S O C I A T I O N

of

BADGERLINE HOLDINGS LIMITED

(Adopted by Special Resolution passed on 21st May 1987)

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1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Share Capital of the Company is £2,000,000 divided into Ordinary Shares of £1 each. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the Act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

COMPANIES REGISTRATION OFFICE 28 JUL 1987

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount of the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

7. (A) Subject to the following provisions of this Article any Member may transfer all or any of his shares whether or not there may be any uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the Transferor and signature by or on behalf of the Transferee shall not be required and on registration of the transfer the Transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply. No transfer of shares shall however be made other than in accordance with the following provisions of this Article.

(B) Save as hereinafter provided a Member who wishes to transfer any of his shares in the Company ("the Vendor") shall give notice in writing to the Directors ("the Transfer Notice") specifying the shares concerned ("the Sale Shares") and the price per share ("the Specified Price") at which he is willing to sell. Save as hereinafter provided a Transfer Notice shall not be revocable and the Specified Price shall not be greater than the market value as last certified by the Auditors in accordance with the provisions of paragraph (N) hereof subject to adjustment by the Auditors to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value.

(C) The Transfer Notice shall constitute the Directors the agents of the Vendor to offer the Sale Shares to the following persons in the order set out below and subject to the provisions of this Article 7:-

(i) first to the Trustees of the Employee Trust ("Group I")

(ii) secondly to the Trustees of the Approved Profit Sharing Scheme ("Group II")

(iii) thirdly, to all Members of the Company whether or not such Members are included in any other Group ("Group III")

(iv) lastly, to Trustees of any Pension Scheme of which employees of the Company or of any subsidiary are members ("Group IV")

(D) Within 21 days after receipt of a Transfer Notice the Directors shall by notice in writing ("the First Notice") offer the Sale Shares to Group I and Group II specifying the number of the Sale Shares and the Specified Price and inviting the members of Group I and Group II to state in writing within 14 days and 21 days respectively from the date of the First Notice whether they are willing to purchase any of the Sale Shares and, if so, the maximum number thereof. Provided Always that the First Notice to Group II shall express the offer of the Sale Shares to be conditional upon there not being full acceptance of the offer to Group I. Within each of the above mentioned Groups the Sale Shares shall be allocated to such members of the particular Group who accept in respect of some or all of the Sale Shares but so that if the total number of the shares comprised in such acceptances exceeds the number of Sale Shares offered to such Group, the Sale Shares shall be allocated to such accepting Shareholders in proportion to their existing holdings provided that there shall not be allocated to any such shareholder so accepting a

number of shares in excess of that in respect of which he shall have so accepted.

(E) Immediately upon the expiry of the 14 day period commencing on the date of the First Notice, the Directors shall notify the members of Group II of the level of acceptances of the offer to Group I.

(F) If the Directors shall have found:-

(i) within 14 days from the date of the First Notice members of Group I; or

(ii) within 21 days from the date of the First Notice members of Group I or Group II;

willing to purchase all the Sale Shares, the Vendor shall be bound upon receipt of the Specified Price to transfer the Sale Shares to the purchasers specified by the Directors in accordance with this Article.

(G) If on the expiration of the 21 day period commencing on the date of the First Notice the Directors shall not have found members of Group I and Group II willing to purchase all the Sale Shares as aforesaid, they shall thereupon give notice ("the Second Notice") to Group III specifying the number of the Sale Shares in respect of which acceptances have not been received and the Specified Price and inviting each member of Group III to state in writing within 30 days from the date of the Second Notice whether he is willing to purchase any of such Sale Shares and, if so, the maximum number thereof. Such Sale Shares shall be allocated to such members of Group III who accept in respect of some or all of the shares offered but so that if the total number of the shares comprised in such acceptances exceeds the number of shares offered, the shares offered shall be allocated to the accepting members of Group III in proportion to their existing holdings provided that there shall not be allocated to any member of Group III so accepting a number of shares in excess of that in respect of which he shall have so accepted.

(H) If within 30 days from the date of the Second Notice the Directors shall have found members of the Group III willing to purchase all the Sale Shares, the Vendor shall be bound upon receipt of the Specified Price to transfer the Sale Shares to the purchasers specified by the Directors in accordance with this Article.

(I) If on the expiration of the 30 day period commencing on the date of the Second Notice the Directors shall not have found members of Groups I, II or III willing to purchase all the Sale Shares as aforesaid, they shall thereupon give notice to Group IV ("the Third Notice") specifying the number of Sale Shares in respect of which acceptances have not been received and the Specified Price and inviting each such member of Group IV to state in writing within 7 days from the date of the Third Notice whether he is willing to purchase any of such Sale Shares and, if so, the maximum number thereof. Such Sale Shares shall be allocated to such members of Group IV who accept in respect of some or all of the shares offered but so that if the total number of shares comprised in such acceptances exceeds the number of shares offered, the shares offered shall be allocated to the accepting members of Group IV in proportion to their existing holdings provided that there shall not be allocated to any member of Group IV so accepting a number of Shares in excess of that in respect of which he shall have so accepted.

(J) If the Directors shall not find purchasers for all the Sale Shares pursuant to the foregoing provisions of this Article, then subject always to Sections 162 and 181 of the Companies Act 1985 the Company shall have power and may at its discretion purchase those shares at the Specified Price. Subject as aforesaid any such purchase by the Company may be either out of distributable profits or out of the proceeds of a fresh issue of shares or by way of a payment out of capital. In the event that the Company is unable or unwilling to purchase the said shares or fails to complete the purchase within 14 days of the date of the Third Notice the Directors shall give notice to the Vendor of the number of Sale Shares which the Company or members of Groups I, II, III or IV are willing to purchase. If the Directors shall have so found Purchasers willing to purchase some but not all of the Sale Shares, the Vendor may within 7 days after the receipt of such notice from the Directors give a counter-notice in writing to the Directors withdrawing the Transfer Notice. If the Directors shall under the preceding paragraphs of this Article shall have found persons willing to purchase all the Sale Shares or if no such counter-notice shall have been given by the Vendor within the aforesaid period the Vendor shall be bound upon receipt of the price per share specified in the Transfer Notice to transfer the Sale Shares (or such of the same for which the Directors shall have found purchasers) to the purchasers specified by the Directors in accordance with this Article and the Vendor shall be at liberty to offer all or any of the Sale Shares not sold pursuant to the foregoing provisions or purchased by the Company at any time within 90 days thereafter to any third party on terms not more favourable to any third party than those stated in the Transfer Notice and at any price not being less than the Specified Price. For the avoidance of doubt it is hereby stated that the Vendor shall not be entitled to sell all or any of the Sale Shares at a price less than the Specified Price without first having re-offered the Shares in accordance with the foregoing provisions of this Article 7 to Groups I to IV and to the Company. If the Vendor defaults in executing any stock transfer form or other document required to transfer Sale Shares pursuant to this Article the Directors shall authorise some person (who shall be deemed to be the attorney of the Vendor for that purpose) to execute in favour of the purchaser of respective purchasers a transfer of the Sale Shares in accordance with the provisions of this Article.

(K) The provisions of this Article shall not apply if the Member wishes to transfer his Shares in the following circumstances and accordingly he shall be permitted to transfer his Shares and such transfer shall be registered by the Directors and the provisions of Article 8 shall not apply. The particular circumstances being a transfer from the trustees of any trust for the benefit of the Directors and employees of the Company or of any of its subsidiaries to any Director or employee or any beneficiary of any such settlement or trust or to the trustees of any other trust for the benefit of the Directors and employees of the Company or any of its subsidiaries

(L) If any member who is a Director or Employee of the Company or any of its subsidiaries ceases to hold any office of employment with the Company and its subsidiaries for any reason whatsoever, he shall within one month of his ceasing to be a Director or employee as aforesaid serve a Transfer Notice, in respect of all shares held by him in the Company in accordance with the preceding paragraphs of this Article except that a Transfer Notice served or deemed served pursuant to this paragraph (L) shall not be revocable in any circumstances whatsoever and the Specified Price shall be the price as calculated by the Auditors in accordance with

paragraph (N) hereof in force as at the date of such cessation of employment or holding of any office.

Save as above mentioned if any such staff shareholder or other such Member as is referred to above shall not have served a Transfer Notice at the end of the said period of one month, he shall be deemed forthwith thereupon to have served a Transfer Notice in respect of all such shares as are mentioned above and for the purposes thereof the Specified Price shall be deemed to be the market value as last certifi the Auditors in accordance with the provisions of paragraph (N) subject to adjustment by the Auditors to take account of any ca ation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value.

(M) If the Directors acting in accordance with the preceding paragraphs of this Article shall not have found Members willing to purchase all he shares in respect of which a Transfer Notice is served or deemed to be served in accordance with the provisions of paragraph (L) hereof, they shall give notice thereof to any such Member as is mentioned in the said paragraph (L) and he shall within a period of 90 days thereafter be at liberty to offer his shares to any third party on terms not more favourable to any third party than those stated in the Transfer Notice and at any price not being less than the Specified Price.

(N) For the purposes of this Article the Auditors shall as soon as reasonably practicable after the interim accounts for the first six months of each financial year of the Company have been approved by the Board and after the audited accounts for each financial year of the Company have been approved by the Board certify in writing to the Directors what in their opinion is the value of a share in the Company such calculation being on the basis of the price that would be paid in the open market as between a willing buyer and a willing seller of the shares in question no discount being applied for the fact (if it be the case) that the shares constitute a minority holding Provided that the price certified as above shall not be less than the price per share (if any) which the Vendor shall have been offered by any bona fide third party. Provided further that if the Directors shall in their discretion decide that it is inappropriate for the Auditors to certify the market value as aforesaid following the end of any such period and shall give written notice thereof to the Auditors, the Auditors shall not so certify until such time as either the Directors shall thereafter by notice in writing request them so to do or until after the end of the next such period as aforesaid. In so certifying the Auditors shall be considered to be acting as experts and not as arbitrators and accordingly the Arbitration Acts 1950 and 1979 and any statutory modification or re-enactment thereof for the time being in force shall not apply. The costs of the Auditors' certificate shall be borne by the Company. Upon receipt of the Auditors' certificate the Directors shall within 7 days send written notice of the fair value to all Members.

(O) If the Vendor or other such person as is mentioned in paragraph (L) hereof makes default in transferring the Sale Shares in accordance with the provisions of this Article, the Company shall receive and give a good discharge for the purchase money on behalf of the Vendor but shall not be bound to earn or pay interest thereon and the Directors shall authorise some person to execute transfers of the Sale Shares in favour of the purchasers and shall enter the names of the purchasers in the

Register of Members as the holders of such of the Sale Shares as shall have been transferred to them as aforesaid.

(P) No interest in any shares shall be disposed of or created by any means without the Member concerned giving a Transfer Notice in accordance with this Article (save in circumstances where a transfer of such shares would be permitted under the provisions of paragraph (K) hereof). Any direction or nomination as to allotment of shares issued by the Company or renunciation of that allotment or the right to that allotment by any member other than to himself shall be treated in the same way as if it were a transfer of shares and shall be subject to the rights and restrictions as are set out in this Article 7.

(Q) A Transfer Notice shall (save as provided in paragraph (L) hereof) be given by Members only during the period of one month following the date on which written notice of the fair value, as calculated in accordance with the provisions of paragraph (N) hereof, is sent to all Members.

(R) 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 require any Member, the legal personal representatives of a deceased Member, the trustee of a bankrupt Member or the liquidator of any corporate 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 they deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Directors within a reasonable time after such request or if any such information or evidence discloses that a Transfer Notice ought to be given in respect of any shares, the Directors shall be entitled to serve a Transfer Notice in respect of the shares concerned seeking a transfer at the market value as last certified in accordance with paragraph (N) hereof and the provisions of these Articles shall take effect accordingly.

(S) If shares cannot be offered to Members in accordance with the provisions hereof in proportion to their existing holdings without division into fractions, the shares representing such fractions shall be offered to such of the Members in such proportion and in such manner as may be determined by the Directors

(T) The various time periods contained in this Article 7 for the offer to and the acceptance by any of the Groups of the Sale Shares shall be deemed to have expired, notwithstanding that the requisite number of days has not yet elapsed, on receipt by the Directors of responses from each member of the particular Group to whom the Sale Shares have been offered.

8. 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. Regulation 24 and 25 of Table A shall be varied accordingly.

TRANSMISSION OF SHARES

9. The executors or administrators of a deceased Member (not being one of two or more joint holders) shall be the only persons recognised by the

Company as having any title to shares held by him alone; but in the case of shares held by more than one person, the survivor or survivors only shall be recognised by the Company as being entitled to such shares.

10. (1) In the event of the death or bankruptcy or insolvency of a Member or by the making of an order under the Mental Health Act 1959 with regard to a Member, any person becoming entitled to a share in consequence of any of such events must within three months of being so entitled produce such evidence of his title as the Directors may require. Such person must within the said three month period serve upon the Directors a Transfer Notice under Article 7(B) in relation to the share (together with any shares allotted by way of bonus or rights issue to such person in respect of such shares) and Article 7 shall bind him as if he were a Member holding such share. In the event of such person not serving such a Transfer Notice within the said period he shall upon expiry of the said period be automatically deemed to have served a Transfer Notice and to have authorised any Director of the Company as his attorney to execute any stock transfer form or other document in order to effect the transfer of the shares in accordance with this Article. For the purposes of any Transfer Notice served or deemed to be served pursuant to this Article the Specified Price shall be deemed to be the market value as last certified by the Auditors in accordance with Article 7 (N) subject to adjustment by the Auditors to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value. A Transfer Notice served or deemed served pursuant to this Article 10 shall not be revocable in any circumstances whatsoever.

(2) The provisions of paragraph (A) of this Article shall not apply so as to require the service of a Transfer Notice in respect of Shares held by a member of either Group I Group II or Group IV in his capacity as a member of Group I Group II or Group IV

(3) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of an order made under the Mental Health Act 1959 shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, unless and until he is registered as a member in respect of the share, be entitled in respect of it to receive notice of or to exercise any rights conferred by membership in relation to meetings of the Company.

PROCEEDINGS AT GENERAL MEETINGS

11. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

12. Subject to any rights or restrictions for the time being attached to any class or classes of shares and to Article 9 above, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at

the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

13. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Directors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified accordingly. The first Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

14. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

15. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

POWERS AND DUTIES OF DIRECTORS

16. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

17. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

18. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to

the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

19. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

20. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

21. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

22. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

23. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

24. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other address given by him to the Company for this purpose, but in the absence

of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

25. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

26. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

NOTICES

27. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

28. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

29. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be

indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

The Company's objects are:-

Company No: 2219362

Special Resolution

The Companies Act 1985
Private Company Limited by Shares

of RAPID 5224 LIMITED

At an Extraordinary General Meeting of the above-named Company duly convened and held at 124-128 City Road, London EC1V 2NJ on 15th February, 1988 the subjoined SPECIAL RESOLUTION was duly passed, viz:-

Resolution

That the existing Clause 3(A) of the Memorandum of Association of the Company be deleted, and that the attached Clause 3(A) be substituted in its place.

Signed .....

S.H. Davis - Chairman

COMPANIES REGISTRATION
10 MAR 1988
M OFFICE 28

RES8

Stanley Davis Company Services Ltd
International Company Registrations and Searches
124-128 City Road, London EC1V 2NJ
Telephone 01-250 3350 Telex 21957-Davis G Fax 01-608 0567
LDE Box No. 274

3. The Company's objects are:-

(A) To carry on business as motor repairers, painters, motor, mechanical, radio, electrical and general engineers, motor cleaners, metal alloy workers, dealers in radio apparatus and accessories; to carry on business as manufacturers, owners, buyers, sellers, hirers, repairers, cleaners, storers, and general dealers in motor cars, vans, lorries, coaches and omnibuses, motor cycles, scooters, bicycles and mechanically propelled vehicles of every description, engines, bodies, tyres, fittings, petrol, oil and all other kinds of fuel, accessories, components, apparatus, and requisites concerned with the manufacture, running, maintenance, repair or use of such vehicles, and to act as haulage contractors and carriers of goods and persons in every way and garage proprietors; and to carry on the business of manufacturers, exporters and importers of and dealers in any goods, materials or things ancillary to or connected with all or any of the said businesses and to buy, sell, exchange, alter, improve, refine, manipulate, prepare for market and otherwise deal in all kinds of plant, machinery, tools, substances, materials and things, necessary for carrying on any of the said businesses, whether as principals, agents, trustees, manufacturers or otherwise.

* The name of the Company was changed from Rapid 5224 Limited on the 3rd March 1988.

COMPANIES FORM No. 225(1)

Notice of new accounting reference date given during the course of an accounting reference period

225(1)

Please do not write in this margin

Pursuant to section 225(1) of the Companies Act 1985 as amended by Schedule 13 to the Insolvency Act 1986

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies
(Address overleaf - Note 5)

For official use | Company number 2029363

Name of company

* BADGERLINE HOLDINGS LIMITED

* Insert full name of company

gives notice that the company's new accounting reference date on which the current accounting reference period and each subsequent accounting reference period of the company is to be treated as coming, or as having come, to an end is

Day 31 Month 12

Note
Please read notes 1 to 4 overleaf before completing this form

The current accounting reference period of the company is to be treated as [shortened][~~extended~~]† and [~~is to be treated as having come to an end~~][will come to an end]† on

Day 31 Month 12 Year 1988

* delete as appropriate

if this notice states that the current accounting reference period of the company is to be extended, and reliance is being placed on section 225(6)(c) of the Companies Act 1985, the following statement should be completed:

The company is a [subsidiary][holding company]† of .....

.....

....., company number .....

the accounting reference date of which is .....

if this notice is being given by a company which is subject to an administration order and this notice states that the current accounting reference period of the company is to be extended AND it is to be extended beyond 18 months OR reliance is not being placed on section 225(6) of the Companies Act 1985, the following statement should be completed:

An administration order was made in relation to the company on .....

and it is still in force

† insert Director, Secretary, Receiver, Administrator, Administrative Receiver or Receiver Manager, as appropriate

Signed [signature] Designation: Secretary Date 4.10.88

Presentor's name address and reference (if any):

For official Use
General Section Post room

[illegible]

1810884

Company Number: 2029303

THE COMPANIES ACT 1985

BADGERLINE HOLDINGS LIMITED

AT an Extraordinary General Meeting of the Company held at Redwood Lodge Hotel, Beggar Bush Lane, Bristol on Tuesday 13th December 1988 at 7.30 p.m. the following resolution was duly passed as a Special Resolution:-

Special Resolution

That the Articles of Association of the Company be and they are hereby amended as follows:-

(i) That sub-article (A) of Article 7 be re-designated paragraph (i) of that sub-article and that a new paragraph (ii) be added as follows:-

"(A) (ii) Any member who is an individual and who holds shares as a result of them having been allotted to him or by virtue of a transfer pursuant to sub-Articles (B) to (T) below ("the original Member") may at any time transfer some but not all of the shares that he holds in the Company to his spouse or to his ancestors or to his or their lineal descendants or to the trustees of any trust for the benefit of himself and/or any or all of them (such spouse, ancestors, lineal descendants or trustees being in these Articles of Association referred to as "permitted

COMPANIES 11 JAN 1989

Transferees") at any price or by way of gift and without restriction save that any such transfer shall be made subject automatically to the condition that if the original Member becomes obliged to transfer all of his shares pursuant to sub-Article (L) below then all of any shares previously transferred by him to any permitted transferee shall simultaneously be the subject of a Transfer Offer or Tranfer Offers and the ensuing provisions of this Article including those of sub-Article (L) below shall apply. The personal representatives of any deceased original Member may in place of electing to be registered themselves as the holders of the shares in question pursuant to Article 9 below transfer them to any permitted transferee to whom the deceased original Member could have transferred them under this sub-article had he been alive. The Directors shall be entitled before registering such transfer under this sub-article to have produced to them such evidence as they shall reasonably require that the transferor and transferee are of such kinship or that the trust is a trust of such kind as is necessary to satisfy the terms hereof. No permitted transferee may transfer any shares to any other person (save to the original Member or to any other person who bears or bore the relationship of permitted transferee to the original Member) other than in accordance with the subsequent provisions of this Article."

(ii) That sub-article (L) be deleted and the following be substituted therefor:-

"(L) (i) If any Member who is an employee of the Company or any of its subsidiaries ceases either to hold any office in or to be employed by the Company or any of its subsidiaries for any reason whatsoever, he shall, unless the Board of Directors of the Company shall in their absolute discretion otherwise determine, within one month of his ceasing to be either an office holder or an employee as aforesaid serve a Transfer Notice in respect of all shares in the Company held by him (or by any permitted Transferee of his under sub-article (A)(ii) above) in accordance with the preceding paragraphs of this Article except that a Transfer Notice served or deemed served pursuant to this sub-article (L) shall not be revocable in any circumstances whatsoever and the Specified Price shall be the price as calculated by the Auditors in accordance with sub-article (N) hereof in force as at the date of such cessation of employment or holding of any office. The Auditors shall take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of their last certification of the market value and the Specified Price shall be adjusted accordingly.

(ii) If the Board of Directors shall have exercised their discretion under sub-paragraph (i) above thus permitting the Member concerned and any permitted Transferee of his to retain his or their shares notwithstanding that such Member has ceased to be an office holder in or an employee of the Company or any of its subsidiaries they may at any time thereafter at their sole discretion withdraw such permission and require that any or all of the shares held by that Member and/or any permitted Transferee of his be made the subject of a Transfer Notice so notifying the Member concerned in writing. In such event the Member concerned shall within 14 days after receipt of such notice from the Board of Directors serve a Transfer Notice in accordance with the provisions of this Article which shall mutatis mutandis apply

(iii) Save as above mentioned if any such employee shareholder or other such Member as is referred to above shall not have served a Transfer Notice in respect of his own holding of Shares and those of his permitted Transferees at the end of the period of one month referred to in sub-paragraph (i) above or at the end of the period of 14 days referred to in sub-paragraph (ii) above as the case may be, he for himself and for any permitted Transferee shall be deemed forthwith thereupon to have served a Transfer Notice or Transfer Notices in respect of all such shares held by him or his permitted Transferees and for

the purposes thereof the Specified Price shall be deemed to be the market value as last certified by the Auditors in accordance with the provisions of sub-article (N) hereof subject to adjustment by the Auditors to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value."

Chairman

2029363

BADGERLINE HOLDINGS LIMITED

ARTICLES OF ASSOCIATION
(adopted by special resolution on
21st May 1987)

BURGES SALMON
SOLICITORS
NARROW QUAY HOUSE, PRINCE STREET, BRISTOL. BS1 4AH

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

N E W

A R T I C L E S O F A S S O C I A T I O N

of

BADGERLINE HOLDINGS LIMITED

(Adopted by Special Resolution passed on 21st May 1987)

1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Share Capital of the Company is £2,000,000 divided into Ordinary Shares of £1 each. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the Act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount of the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

7. (A) (i) Subject to the following provisions of this Article any Member may transfer all or any of his shares whether or not there may be any uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the Transferor and signature by or on behalf of the Transferee shall not be required and on registration of the transfer the Transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply. No transfer of shares shall however be made other than in accordance with the following provisions of this Article.

(ii) Any member who is an individual and who holds shares as a result of them having been allotted to him or by virtue of a transfer pursuant to sub-Articles (B) to (T) below ("the original Member") may at any time transfer some but not all of the shares that he holds in the Company to his spouse or to his ancestors or to his or their lineal descendants or to the trustees of any trust for the benefit of himself and/or any or all of them (such spouse, ancestors, lineal decendants or trustees being in these Articles of Association referred to as "permitted Transferees") at any price or by way of gift and without restriction save that any such transfer shall be made subject automatically to the condition that if the original Member becomes obliged to transfer all of his shares pursuant to sub-Article (L) below then all of any shares previously transferred by him to any permitted Transferee shall simultaneously be the subject of a Transfer Offer or Transfer Offers and the ensuing provisions of this Article including those of sub-Article (L) below shall apply. The personal representatives of any deceased original Member may in place of electing to be registered themselves as the holders of the shares in question pursuant to Article 9 below transfer them to any permitted Transferee to whom the deceased original Member could have transferred them under this sub-Article had he been alive. The Directors shall be entitled before registering such transfer under this sub-article to have produced to them such evidence as they shall reasonably require that the transferor and transferee are of such kinship or that the trust is a trust of such kind as is necessary to satisfy the terms hereof. No permitted Transferee may transfer any shares to any other person (save to the original Member or to any other person who bears or bore the relationship of permitted Transferee to the original Member) other than in accordance with the subsequent provisions of this Article.

(B) Save as hereinafter provided a Member who wishes to transfer any of his shares in the Company ("the Vendor") shall give notice in writing to the Directors ("the Transfer Notice") specifying the shares concerned ("the Sale Shares") and the price per share ("the Specified Price") at which he is willing to sell. Save as hereinafter provided a Transfer Notice shall not be revocable and the Specified Price shall not be greater than the market value as last certified by the Auditors in accordance with the provisions of paragraph (N) hereof subject to adjustment by the Auditors to take account of any capitalisation issue, subdivision or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value.

(C) The Transfer Notice shall constitute the Directors the agents of the Vendor to offer the Sale Shares to the following persons in the order set out below and subject to the provisions of this Article 7:-

(i) first to the Trustees of the Employee Trust ("Group I")

(ii) secondly to the Trustees of the Approved Profit Sharing Scheme ("Group II")

(iii) thirdly, to all Members of the Company whether or not such Members are included in any other Group ("Group III")

(iv) lastly, to Trustees of any Pension Scheme of which employees of the Company or of any subsidiary are members ("Group IV")

(D) Within 21 days after receipt of a Transfer Notice the Directors shall by notice in writing ("the First Notice") offer the Sale Shares to Group I and Group II specifying the number of the Sale Shares and the Specified Price and inviting the members of Group I and Group II to state in writing within 14 days and 21 days respectively from the date of the First Notice whether they are willing to purchase any of the Sale Shares and, if so, the maximum number thereof. Provided Always that the First Notice to Group II shall express the offer of the Sale Shares to be conditional upon there not being full acceptance of the offer to Group I. Within each of the above mentioned Groups the Sale Shares shall be allocated to such members of the particular Group who accept in respect of some or all of the Sale Shares but so that if the total number of the shares comprised in such acceptances exceeds the number of Sale Shares offered to such Group, the Sale Shares shall be allocated to such accepting Shareholders in proportion to their existing holdings provided that there shall not be allocated to any such shareholder so accepting a number of shares in excess of that in respect of which he shall have so accepted.

(E) Immediately upon the expiry of the 14 day period commencing on the date of the First Notice, the Directors shall notify the members of Group II of the level of acceptances of the offer to Group I.

(F) If the Directors shall have found:-

(i) within 14 days from the date of the First Notice members of Group I; or

(ii) within 21 days from the date of the First Notice members of Group I or Group II;

willing to purchase all the Sale Shares, the Vendor shall be bound upon receipt of the Specified Price to transfer the Sale Shares to the purchasers specified by the Directors in accordance with this Article.

(G) If on the expiration of the 21 day period commencing on the date of the First Notice the Directors shall not have found members of Group I and Group II willing to purchase all the Sale Shares as aforesaid, they shall thereupon give notice ("the Second Notice") to Group III specifying the number of the Sale Shares in respect of which acceptances have not been received and the Specified Price and inviting each member of Group III to state in writing within 30 days from the date of the Second Notice whether he is willing to purchase any of such Sale Shares and, if so, the maximum number thereof. Such Sale Shares shall be allocated to such members of Group III who accept in respect of some or all of the shares offered but so that if the total number of the shares comprised in such acceptances exceeds the number of shares offered, the

shares offered shall be allocated to the accepting members of Group III in proportion to their existing holdings provided that there shall not be allocated to any member of Group III so accepting a number of shares in excess of that in respect of which he shall have so accepted.

(H) If within 30 days from the date of the Second Notice the Directors shall have found members of the Group III willing to purchase all the Sale Shares, the Vendor shall be bound upon receipt of the Specified Price to transfer the Sale Shares to the purchasers specified by the Directors in accordance with this Article.

(I) If on the expiration of the 30 day period commencing on the date of the Second Notice the Directors shall not have found members of Groups I, II or III willing to purchase all the Sale Shares as aforesaid, they shall thereupon give notice to Group IV ("the Third Notice") specifying the number of Sale Shares in respect of which acceptances have not been received and the Specified Price and inviting each such member of Group IV to state in writing within 7 days from the date of the Third Notice whether he is willing to purchase any of such Sale Shares and, if so, the maximum number thereof. Such Sale Shares shall be allocated to such members of Group IV who accept in respect of some or all of the shares offered but so that if the total number of shares comprised in such acceptances exceeds the number of shares offered, the shares offered shall be allocated to the accepting members of Group IV in proportion to their existing holdings provided that there shall not be allocated to any member of Group IV so accepting a number of Shares in excess of that in respect of which he shall have so accepted.

(J) If the Directors shall not find purchasers for all the Sale Shares pursuant to the foregoing provisions of this Article, then subject always to Sections 162 and 181 of the Companies Act 1985 the Company shall have power and may at its discretion purchase those shares at the Specified Price. Subject as aforesaid any such purchase by the Company may be either out of distributable profits or out of the proceeds of a fresh issue of shares or by way of a payment out of capital. In the event that the Company is unable or unwilling to purchase the said shares or fails to complete the purchase within 14 days of the date of the Third Notice the Directors shall give notice to the Vendor of the number of Sale Shares which the Company or members of Groups I, II, III or IV are willing to purchase. If the Directors shall have so found Purchasers willing to purchase some but not all of the Sale Shares, the Vendor may within 7 days after the receipt of such notice from the Directors give a counter-notice in writing to the Directors withdrawing the Transfer Notice. If the Directors shall under the preceding paragraphs of this Article shall have found persons willing to purchase all the Sale Shares or if no such counter-notice shall have been given by the Vendor within the aforesaid period the Vendor shall be bound upon receipt of the price per share specified in the Transfer Notice to transfer the Sale Shares (or such of the same for which the Directors shall have found purchasers) to the purchasers specified by the Directors in accordance with this Article and the Vendor shall be at liberty to offer all or any of the Sale Shares not sold pursuant to the foregoing provisions or purchased by the Company at any time within 90 days thereafter to any third party on terms not more favourable to any third party than those stated in the Transfer Notice and at any price not being less than the Specified Price. For the avoidance of doubt it is hereby stated that the Vendor shall not be entitled to sell all or any of the Sale Shares at a price less than the Specified Price without first having re-offered the Shares in

30/11/89

accordance with the foregoing provisions of this Article 7 to Groups I to IV and to the Company. If the Vendor defaults in executing any stock transfer form or other document required to transfer Sale Shares pursuant to this Article the Directors shall authorise some person (who shall be deemed to be the attorney of the Vendor for that purpose) to execute in favour of the purchaser of respective purchasers a transfer of the Sale Shares in accordance with the provisions of this Article.

(K) The provisions of this Article shall not apply if the Member wishes to transfer his Shares in the following circumstances and accordingly he shall be permitted to transfer his Shares and such transfer shall be registered by the Directors and the provisions of Article 8 shall not apply. The particular circumstances being a transfer from the trustees of any trust for the benefit of the Directors and employees of the Company or of any of its subsidiaries to any Director or employee or any beneficiary of any such settlement or trust or to the trustees of any other trust for the benefit of the Directors and employees of the Company or any of its subsidiaries.

(L) (i) If any Member who is an employee of the Company or any of its subsidiaries ceases either to hold any office in or to be employed by the Company or any of its subsidiaries for any reason whatsoever, he shall, unless the Board of Directors of the Company shall in their absolute discretion otherwise determine, within one month of his ceasing to be either an office holder or an employee as aforesaid serve a Transfer Notice in respect of all shares in the Company held by him (or by any permitted Transferee of his under sub-article (A)(ii) above) in accordance with the preceding paragraphs of this Article except that a Transfer Notice served or deemed served pursuant to this sub-article (L) shall not be revocable in any circumstances whatsoever and the Specified Price shall be the price as calculated by the Auditors in accordance with sub-article (N) hereof in force as at the date of such cessation of employment or holding of any office. The Auditors shall take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of their last certification of the market value and the Specified Price shall be adjusted accordingly.

(ii) If the Board of Directors shall have exercised their discretion under sub-paragraph (i) above thus permitting the Member concerned and any permitted Transferee of his to retain his or their shares notwithstanding that such Member has ceased to be an office holder in or an employee of the Company or any of its subsidiaries they may at any time thereafter at their sole discretion withdraw such permission and require that any or all of the shares held by that Member and/or any permitted Transferee of his be made the subject of a Transfer Notice so notifying the Member concerned in writing. In such event the Member concerned shall within 14 days after receipt of such notice from the Board of Directors serve a Transfer Notice in accordance with the provisions of this Article which shall mutatis mutandis apply.

(iii) Save as above mentioned if any such employee shareholder or other such Member as is referred to above shall not have served a Transfer Notice in respect of his own holding of Shares and those of his permitted Transferees at the end of the period of one months referred to in sub-paragraph (i) above or at the end of the period of 14 days referred to in sub-paragraph (ii) above as the case may be, he for himself and for any permitted Transferee shall be deemed forthwith thereupon to have served a Transfer Notice or Transfer Notices in respect of all such shares held by him or his permitted Transferees and for the purposes thereof the Specified Price shall be deemed to be the market

value as last certified by the Auditors in accordance with the provisions of sub-article (N) hereof subject to adjustment by the Auditors to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value.

(M) If the Directors acting in accordance with the preceding paragraphs of this Article shall not have found Members willing to purchase all the shares in respect of which a Transfer Notice is served or deemed to be served in accordance with the provisions of paragraph (L) hereof, they shall give notice thereof to any such Member as is mentioned in the said paragraph (L) and he shall within a period of 90 days thereafter be at liberty to offer his shares to any third party on terms not more favourable to any third party than those stated in the Transfer Notice and at any price not being less than the Specified Price.

(N) For the purposes of this Article the Auditors shall as soon as reasonably practicable after the interim accounts for the first six months of each financial year of the Company have been approved by the Board and after the audited accounts for each financial year of the Company have been approved by the Board certify in writing to the Directors what in their opinion is the value of a share in the Company such calculation being on the basis of the price that would be paid in the open market as between a willing buyer and a willing seller of the shares in question no discount being applied for the fact (if it be the case) that the shares constitute a minority holding Provided that the price certified as above shall not be less than the price per share (if any) which the Vendor shall have been offered by any bona fide third party. Provided further that if the Directors shall in their discretion decide that it is inappropriate for the Auditors to certify the market value as aforesaid following the end of any such period and shall give written notice thereof to the Auditors, the Auditors shall not so certify until such time as either the Directors shall thereafter by notice in writing request them so to do or until after the end of the next such period as aforesaid. In so certifying the Auditors shall be considered to be acting as experts and not as arbitrators and accordingly the Arbitration Acts 1950 and 1979 and any statutory modification or re-enactment thereof for the time being in force shall not apply. The costs of the Auditors' certificate shall be borne by the Company. Upon receipt of the Auditors' certificate the Directors shall within 7 days send written notice of the fair value to all Members.

(O) If the Vendor or other such person as is mentioned in paragraph (L) hereof makes default in transferring the Sale Shares in accordance with the provisions of this Article, the Company shall receive and give a good discharge for the purchase money on behalf of the Vendor but shall not be bound to earn or pay interest thereon and the Directors shall authorise some person to execute transfers of the Sale Shares in favour of the purchasers and shall enter the names of the purchasers in the Register of Members as the holders of such of the Sale Shares as shall have been transferred to them as aforesaid.

(P) No interest in any shares shall be disposed of or created by any means without the Member concerned giving a Transfer Notice in accordance with this Article (save in circumstances where a transfer of such shares would be permitted under the provisions of paragraph (K) hereof). Any direction or nomination as to allotment of shares issued by the Company or renunciation of that allotment or the right to that allotment by any member other than to himself shall be treated in the

same way as if it were a transfer of shares and shall be subject to the rights and restrictions as are set out in this Article 7.

(Q) A Transfer Notice shall (save as provided in paragraph (L) hereof) be given by Members only during the period of one month following the date on which written notice of the fair value, as calculated in accordance with the provisions of paragraph (N) hereof, is sent to all Members.

(R) 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 require any Member, the legal personal representatives of a deceased Member, the trustee of a bankrupt Member or the liquidator of any corporate 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 they deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Directors within a reasonable time after such request or if any such information or evidence discloses that a Transfer Notice ought to be given in respect of any shares, the Directors shall be entitled to serve a Transfer Notice in respect of the shares concerned seeking a transfer at the market value as last certified in accordance with paragraph (N) hereof and the provisions of these Articles shall take effect accordingly.

(S) If shares cannot be offered to Members in accordance with the provisions hereof in proportion to their existing holdings without division into fractions, the shares representing such fractions shall be offered to such of the Members in such proportion and in such manner as may be determined by the Directors

(T) The various time periods contained in this Article 7 for the offer to and the acceptance by any of the Groups of the Sale Shares shall be deemed to have expired, notwithstanding that the requisite number of days has not yet elapsed, on receipt by the Directors of responses from each member of the particular Group to whom the Sale Shares have been offered.

8. 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. Regulation 24 and 25 of Table A shall be varied accordingly.

TRANSMISSION OF SHARES

9. The executors or administrators of a deceased Member (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to shares held by him alone; but in the case of shares held by more than one person, the survivor or survivors only shall be recognised by the Company as being entitled to such shares.

10. (1) In the event of the death or bankruptcy or insolvency of a Member or by the making of an order under the Mental Health Act 1959 with regard to a Member, any person becoming entitled to a share in consequence of any of such events must within three months of being so entitled produce such evidence of his title as the Directors may require. Such person must within the said three month period serve upon the

Directors a Transfer Notice under Article 7(B) in relation to the share (together with any shares allotted by way of bonus or rights issue to such person in respect of such shares) and Article 7 shall bind him as if he were a Member holding such share. In the event of such person not serving such a Transfer Notice within the said period he shall upon expiry of the said period be automatically deemed to have served a Transfer Notice and to have authorised any Director of the Company as his attorney to execute any stock transfer form or other document in order to effect the transfer of the shares in accordance with this Article. For the purposes of any Transfer Notice served or deemed to be served pursuant to this Article the Specified Price shall be deemed to be the market value as last certified by the Auditors in accordance with Article 7 (N) subject to adjustment by the Auditors to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of the last certification by the Auditors of the market value. A Transfer Notice served or deemed served pursuant to this Article 10 shall not be revocable in any circumstances whatsoever.

(2) The provisions of paragraph (A) of this Article shall not apply so as to require the service of a Transfer Notice in respect of Shares held by a member of either Group I Group II or Group IV in his capacity as a member of Group I Group II or Group IV

(3) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of an order made under the Mental Health Act 1959 shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, unless and until he is registered as a member in respect of the share, be entitled in respect of it to receive notice of or to exercise any rights conferred by membership in relation to meetings of the Company.

PROCEEDINGS AT GENERAL MEETINGS

11. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

12. Subject to any rights or restrictions for the time being attached to any class or classes of shares and to Article 9 above, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

13. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Direccors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified accordingly. The first

Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

14. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

15. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

POWERS AND DUTIES OF DIRECTORS

16. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

17. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

18. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

19. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a

general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

20. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

21. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

22. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

23. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

24. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other address given by him to the Company for this purpose, but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

25. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have

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against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

26. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

NOTICES

27. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

28. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

29. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

Notice of consolidation, division, sub-division, redemption or cancellation of shares, or conversion, re-conversion of stock into shares

122

Please do not write in this margin

Pursuant to section 122 of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies (Address overleaf)

For official use

Company number 2029363

Name of company

* Badgerline Holdings Limited

* insert full name of company

gives notice that:

By Special Resolution of the company passed on 27th June 1989 the 2,000,000 shares of £1 each in the capital of the company were sub-divided into 10,000,000 ordinary shares of 20 pence each.

‡ Insert Director, Secretary, Administrator, Administrative Receiver or Receiver (Scotland) as appropriate

Signed J Maddalena Designation‡ Secretary Date 23rd August 1989

Presentor's name address and reference (if any):

Burges Salmon
Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

For official Use

General Section

Post room

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

of

BADGERLINE HOLDINGS LIMITED

Passed on 27th June 1989

At an Extraordinary General Meeting of the above Company held on 27th June 1989 at The Parkside Hotel, 470 Bath Road, Brislington, Bristol at 7.30 pm the following resolution was duly passed as a special resolution.

SPECIAL RESOLUTION

That each ordinary share in the Company currently with a nominal value of £1 be and it is hereby converted into 5 shares, each with a nominal value of 20 pence.

.....

Director/Secretary

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM

AND

ARTICLES OF ASSOCIATION

- OF -

BADGERLINE HOLDINGS LIMITED
(Incorporated on 18th June 1986)

COMPANIES HOUSE
21 OCT 1989
M 69

BURGES SALMON
SOLICITORS
NARROW QUAY HOUSE, PRINCE STREET, BRISTOL BS1 4AH

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

BADGERLINE HOLDINGS LIMITED

* 1. The name of the Company is "BADGERLINE HOLDINGS LIMITED"

2. The registered office of the Company will be situate in England and Wales.

3. The objects for which the Company is established are:-

(A) To carry on any business, undertaking, transaction or operation commonly carried on or undertaken by manufacturers, Merchants and dealers (both wholesale and retail) in all or any articles of commercial and personal use and consumption, or by providers of services, importers, exporters, shipowners, bankers, factors, capitalists, promoters, financiers, real property dealers and investors, concessionaires, brokers, contractors, mercantile and general agents, advertising agents, publishers, carriers and transporters of all kinds and to carry on all or any of the said businesses either together as one business or as separate distinct businesses in any part of the world.

** (BB) To act as a holding company and to invest any money of the Company in and to hold, sell and ideal with the stock, shares, bonds, debentures, debenture stock, obligations, notes and securities of any state, company or corporation, municipal or local authority, or other body or authority.

(B) To acquire and assume for any estate or interest and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act and carry on business as a holding company.

(C) To manufacture, process, import, export, deal in and store any goods and other things and to carry on the business of manufacturers, processers, importers, exporters and storers of and dealers in any goods and other things.

* The name of the Company was changed from Quayshelfco 135 Limited to Badgerline Holdings Limited on 1st September 1986 pursuant to a Special Resolution passed on 19th August 1986

** Adopted by Special Resolution passed on 23rd September 1986

(D) To acquire and exploit lands, mines and mineral rights and any interest therein and to acquire, explore for and exploit any natural resources and to carry on any business involving the ownership or possession of lands or other immovable property or buildings or structures thereon and to construct, erect, install, enlarge, alter and maintain buildings, plant and machinery and to carry on business as builders, contractors and engineers.

(E) To provide services of all descriptions and to carry on business as advisers, consultants, brokers and agents of any kind.

(F) To advertise, market and sell the products of the Company and of any other person and to carry on the business of advertisers or advertising agents or of a marketing and selling organisation or of a supplier, wholesaler, retailer, Merchant or dealer of any kind.

(G) To provide technical, cultural, artistic, educational, entertainment or business material, facilities or services and to carry on any business involving any such provision.

(H) To lend money, grant or provide credit and financial accommodation, to any person and to carry on the business of a banking, finance or insurance company.

(I) To invest money of the Company in any investments and to hold, sell or otherwise deal with such investments, and to carry on the business of a property or investment company.

(J) To acquire and carry on any business carried on by a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company.

(K) To enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises and concessions and to carry out, exercise and comply with the same.

(L) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by the creation and issue of securities.

(M) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.

(N) To amalgamate or enter into partnership or any profit-sharing arrangement with, and co-operate or participate in any way with, and assist or subsidise any person.

(O) To accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, and other instruments and securities, whether negotiable or otherwise.

(P) To apply for and take out, purchase or otherwise acquire any trade and service marks and names, designs, patents, patent rights, inventions and secret processes and to carry on the business of an inventor, designer or research organisation.

(Q) To sell, exchange, Mortgage, charge, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose of, all or any part of the undertaking, property and assets (present and future) of the Company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities.

(R) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

(S) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind and to undertake and execute any trust.

(T) To establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees, or those of its subsidiary or holding company or subsidiary of its holding company, or by or for the benefit of such other persons as may for the time being be permitted by law, or any scheme for sharing profits with its employees or those of its subsidiary and/or associated companies, and (so far as for the time being permitted by law) to lend money to the Company's employees (other than directors) with a view to enabling them to acquire shares in the Company or its holding company.

(U) To pay all the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and incorporation of the Company, and to procure the registration or incorporation of the Company in or under the laws of any place outside England.

(V) To grant pensions, annuities, or other allowances, including allowances on death, to any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or any predecessor in business of any of them and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or whom the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payments towards insurances or other arrangements likely to benefit any such persons or otherwise advance the interests of the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly to further the interests of the Company or of its Members or for any national, charitable, benevolent, educational, social, public, general or useful object.

(W) To cease carrying on or wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.

(X) To distribute any of the property of the Company among its creditors and Members in specie or kind.

(Y) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.

(Z) To carry on any other business or activity and do anything of any nature which in the opinion of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its Members.

(AA) To do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that "company" in this Clause, except where used in reference to this Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this Clause shall not, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company, but may be carried out in as full

and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.

4. The liability of the Members is limited.

* 5. The share capital of the Company is £2,000,000 divided into 10,000,000 Shares of 20 pence each, and the Company shall have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

* The share capital was increased from £100 divided into Shares of 100 of £1 each to £166,825 divided into 166,825 Shares of £1 each by ordinary resolution passed on 23rd September 1986 and from £166,825 to £2,000,000 divided into 2,000,000 Shares of £1 each by ordinary resolution passed on 21st May 1987. The Shares were subdivided into 10,000,000 shares of 20 pence each by a special resolution passed on 27th June 1989.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
R.T. Wynn-Jones Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One
S.C. Quayle Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One

DATED the 23rd day of April 1986

WITNESS to the above signatures:-

D A French

Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Secretary

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

NEW ARTICLES OF ASSOCIATION

of

BADGERLINE HOLDINGS LIMITED

(Adopted by Special Resolution passed on 21st May 1987 and amended by Special Resolutions passed on 13th December 1988 and 3rd October 1989)

1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Share Capital of the Company is £2,000,000 divided into Ordinary Shares of 20 pence each. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the Act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional

and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount f the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company-

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

*

7. (A) Subject to the following provisions of this Article any Member may transfer all or any of his shares whether or not there may be any uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the Transferor and signature by or on behalf of the Transferee shall not be required and on registration of the transfer the Transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply. No transfer of shares shall however be made other than in accordance with the following provisions of this Article, and subject to Article 8.

(B) Save as hereinafter provided a Member who wishes to transfer any of his shares in the Company ("the Vendor") shall give notice in writing to the Directors of the Company ("the Transfer Notice") specifying the shares concerned ("the Sale Shares") and the price per share ("the Specified Price") at which he is willing to sell. The Transfer Notice shall not be revocable and the Specified Price shall not be greater than the value as last certified by the Directors. The Directors may certify the market value of the shares at any time and in certifying the value the Directors shall take advice from the Auditors that their valuation is fair and reasonable. In addition the Board of Directors may in consultation with the Auditors adjust the market value at any time to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of last certification by the Directors of the market value.

(C) The Transfer Notice shall constitute the Directors the agents of the Vendor to offer the Sale Shares to such persons as they in their absolute discretion think fit at the Specified Price.

(D) A Transfer Notice shall (save as provided in paragraph (E) hereof) be given by Members only during the period commencing on the date of the Notice of the Annual General Meeting of the Company and ending on the commencement of the Annual General Meeting of the Company in each year. With each Notice of Annual General Meeting the Directors shall send to all shareholders written notice of the market value of the shares as calculated in accordance with paragraph (B) of this Article 7. In addition a Transfer Notice may be served at such additional times as the Board of Directors may in their absolute discretion determine.

(E) (i) If any shares or any interest in any shares in the Company are transferred to or in any way become held by a Competitor then (unless the Board of Directors of the Company shall in their absolute discretion otherwise determine) such Competitor shall forthwith on receipt of written notice from the Board of Directors forthwith serve a Transfer Notice in respect of all shares in the Company held by him in accordance with the provisions of this Article 7 and the Specified Price shall be the price as calculated by the Directors in accordance with the provisions of paragraph (B) of this Article 7 in force at the date of the service of such Transfer Notice. The Board of Directors shall take account of any capitalisation issue,

* Adopted by Special Resolution passed on 3rd October 1989.

sub-division or consolidation or distribution in specie which takes place after the date of their last certification of the market value and the Specified Price shall be adjusted accordingly and in addition such adjustment by the Directors shall be taken in the light of advice received from the Auditors that such adjustment is fair and reasonable;

(ii) If the Board of Directors shall have exercised their discretion under sub-paragraph (i) above thus permitting the Competitor to retain his shares notwithstanding that such member is a Competitor the Board of Directors may at any time thereafter at their sole discretion withdraw such permission and require that any or all of the shares held by that Member (provided at such time he still remains a Competitor) be made the subject of a Transfer Notice by notifying the Member concerned in writing. In such event the Member concerned shall within 14 days of receipt of such notice from the Board of Directors serve a Transfer Notice in accordance with the provisions of this Article which shall mutatis mutandis apply;

(iii) Save as above mentioned if any Competitor shall not have served a Transfer Notice in respect of his own holding of Shares when required to do so under the provisions of sub-paragraphs (i) and (ii) above he shall be deemed forthwith thereupon to have served a Transfer Notice in respect of all such shares held by him and is further hereby deemed to have granted a Power of Attorney to any Director of the Company to sign on his behalf any documents required in order to effect the serving of the Transfer Notice and the transfer of the legal and beneficial interest in the Shares at the Specified Price (as may be adjusted as described in paragraph (i) above);

(iv) For the purposes of this paragraph (E) of Article 7 "Competitor" shall mean any person, firm or company (whether incorporated in this country or elsewhere) or business which directly or indirectly either on their own account or jointly with or for any other firm or company is engaged or concerned or interested in any business which is of the same or similar type to any of the businesses carried on by the Company or any of its subsidiaries from time to time and which is in the view of the Board of Directors in competition with or similar to any businesses carried on by the Company or any of its subsidiaries. It is expressly stated that for the purposes of deciding whether or not a Member is a Competitor the decision of the Board of Directors is final and binding and in coming to such decision the Board of Directors shall act as experts and not as arbitrators;

(v) If the Competitor defaults in transferring the Sale Shares so that the transfer is effected by one of the Directors of the Company exercising the Power of Attorney granted pursuant to paragraph (iii) of this Article 7 then such Director shall receive and give a good discharge for the purchase money on behalf of the Competitor but shall not be bound to earn or pay interest thereon and the Company shall enter the names of the purchasers of the shares of the Competitor in the Register of Members as the holders of the shares which have been transferred to them from the Competitor.

(F) No interest in any shares shall be disposed of or created by any means without the Member concerned giving a Transfer Notice in accordance with this Article (save in circumstances where a transfer of such shares will be permitted under the provisions of paragraph (G) hereof). Any direction or nomination as to allotment of shares issued by the Company or renunciation of that allotment or the right to that allotment by any Member other than to himself shall be treated in the same way as if it were a transfer of shares and shall be subject to the rights and restrictions as are set out in this Article 7 and also in Article 8.

(G) The provisions of this Article 7 shall not apply if the Member wishes to transfer his shares in the following circumstances and accordingly he shall be permitted to transfer his shares and such transfer shall be registered by the Directors and the provisions of Article 8 shall not apply. The particular circumstances are the transfer from the trustees of any trust for the benefit of the Directors and employees of the Company or any of its subsidiaries to any Director or employee or any beneficiary or any such settlement or trust or to the trustees of any other trust for the benefit of the Directors and employees of the Company or any of its subsidiaries

(H) 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 under paragraph (E) of this Article 7 the Directors may require any Member, a legal personal representative of a deceased Member, the trustee of a bankrupt Member or the liquidator of any corporate 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 they may deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Directors within a reasonable time after such request or if any such information or evidence discloses that a Transfer Notice ought to be given in respect of any shares, the Directors shall be entitled to serve the Transfer Notice in respect of the shares concerned seeking a transfer at the market value as last certified in accordance with paragraph (B) of this Article 7 and the provisions of this Article 7 and Article 8 shall take effect accordingly.

8. 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. Regulation 24 and 25 of Table A shall be varied accordingly.

TRANSMISSION OF SHARES

9. The executors or administrators of a deceased Member (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to shares held by him alone; but in the case of shares held by more than one person, the survivor or survivors only shall be recognised by the Company as being entitled to such shares.

* 10. (1) In the event of the death or bankruptcy or insolvency of a Member or by the making of an order under the Mental Health Act 1959 with regard to a Member, any person becoming entitled to a share in consequence of any of such events must within three months of being so entitled produce such evidence of his title as the Directors may require.

* Amended by special resolution passed on 3rd October 1989

* (2) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of an order made under the Mental Health Act 1959 shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, unless and until he is registered as a member in respect of the share, be entitled in respect of it to receive notice of or to exercise any rights conferred by membership in relation to meetings of the Company.

PROCEEDINGS AT GENERAL MEETINGS

11. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

12. Subject to any rights or restrictions for the time being attached to any class or classes of shares and to Article 9 above, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

13. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Directors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified accordingly. The first Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

14. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

15. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

* Amended by special resolution passed on 3rd October 1989.

POWERS AND DUTIES OF DIRECTORS

16. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

17. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

18. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

19. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

20. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

21. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

22. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

23. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

24. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other address given by him to the Company for this purpose, but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

25. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

26. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

NOTICES

27. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or

to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

28. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

29. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

Company Number: 2029363

THE COMPANIES ACTS 1985 TO 1989

COMPANY LIMITED BY SHARES

BADGERLINE HOLDINGS LIMITED

At the Annual General Meeting of the above Company held at Fry Club Conference Centre, Sumerdale Road, Sumerdale, Keynsham, Bristol (Annexe Sumerdale Lodge) on 22nd May 1990 the following resolution was duly passed as a special resolution.

SPECIAL RESOLUTION

That the Articles of Association of the Company be amended by redesignating Articles 27, 28 and 29 as Articles 28, 29 and 30 respectively and that there be inserted a new Article "27" as follows:-

"27(A) The Directors may offer the Members the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of such dividend or dividends as may be declared by the Company or the Directors upon such terms and conditions and subject to such exclusions or restrictions as the Directors may, in their absolute discretion, deem necessary or desirable in relation to compliance with legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory.

(B) No fraction of any Ordinary Shares shall be allotted. The Directors may make such provision as they think fit for any fractional entitlements including provisions whereby in whole or in part, the benefit thereof accrues to the Company.

(C) The basis of allotment shall be determined by the Directors so that, as nearly as may be considered

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convenient (including rounding the ratio on which entitlements are based up or down to the nearest whole number of shares), the market value, determined in accordance with Article 7(B), of the new Ordinary Shares to be allotted instead of any amount of dividend shall equal the amount of the dividend which would otherwise have been payable.

(D) If the Directors determine to allow such right of election on any occasion they shall, after the basis of allotment has been determined give notice in writing to the ordinary shareholders of the right of election accorded to them and shall send with or following such notice forms of election and specify the procedure to be followed and the place at which duly completed forms of election must be lodged in order to be effective.

(E) As regards Ordinary Shares in respect of which rights of election have been made available and duly exercised ("the elected Ordinary Shares"), the relevant dividend shall not be payable, and in lieu thereof and on or with effect from the due date for payment of the dividend in respect of which rights of election have been made available additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise, out of such of the sums standing to the credit of reserves (including any share premium account or capital redemption reserve) or profit and loss account as the Directors may lawfully determine, a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to and amongst the holders of the elected Ordinary Shares on such basis.

(F) The additional Ordinary Shares so allotted shall rank pari passu in all respects with the fully-paid Ordinary Shares then in issue save only as regards participation in the relevant dividend (or share election in lieu)."

D. J. Ward

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D J Ward
Secretary

2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

NEW ARTICLES OF ASSOCIATION

of

BADGERLINE HOLDINGS LIMITED

(Adopted by Special Resolution passed on 21st May 1987 and amended by Special Resolutions passed on 13th December 1988, 3rd October 1989 and 22nd May 1990)

1. The regulations contained in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended (such regulations being herein called "Table A"), shall, except where the same are excluded or varied by or inconsistent with these Articles of Association, apply to the Company.

2. In these Articles of Association "the Act" means the Companies Act 1985 including any statutory re-enactment thereof for the time being in force.

SHARE CAPITAL

3. The Share Capital of the Company is £2,000,000 divided into Ordinary Shares of 20 pence each. The Company is a private company and accordingly no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of these shares or debentures being offered for sale to the public.

4. Subject to any direction to the contrary that may be given by the Company in general meeting all shares authorised pursuant to Article 5 hereof to be allotted shall be offered to the Members in proportion to the existing shares held by them and such offer shall be made by notice in writing specifying the number of shares to which the Member is entitled and limiting a time (being not less than 21 days) within which the offer if not accepted will be deemed to have been declined, and after the expiry of such time or upon the receipt of an intimation from the Member to whom such notice is given that he declines to accept the shares offered, the Directors may, subject to these Articles, allot or otherwise dispose of the same to such persons and upon such terms as they think most beneficial to the Company. The Directors may in like manner dispose of such shares as aforesaid which by reason of the proportion borne by them to the number of persons entitled to any such offer as aforesaid or by reason of any other difficulty in appertaining the same, cannot in the

opinion of the Directors be conveniently offered in manner hereinbefore provided. Section 89(1) of the Act shall not apply to the allotment by the Company of any equity security as defined by Section 94 of the Act.

5. The Directors are by this Article authorised to exercise all the powers of the Company to allot all relevant securities (within the meaning of Section 80 of the Act): such authority shall be unconditional and for the exercise of such power generally: the maximum amount of relevant securities that may be the subject of allotment (within the meaning of the said Section 80) under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the shares taken by the subscribers of the Memorandum of Association at the date of incorporation: unless renewed, such authority will expire on the date five years from the date of incorporation save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly: the amount of a relevant security shall in the case of a share in the company mean its nominal amount, and in the case of a right to subscribe for, or to convert any security into, shares in the Company mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

6. (A) Whenever the share capital of the Company is divided into different classes of shares the rights attached to any class may only be varied or abrogated either whilst the Company is a going concern or in course of 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 shall mutatis mutandis apply except that the necessary quorum shall be a person or persons holding or representing by proxy or in person not less than three quarters in nominal amount of the issued shares of the class, 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 and any holder of shares of the class present in person or by proxy may demand a poll.

(B) Without prejudice to the generality of Article 6(A) above the following shall be deemed to constitute a variation of the rights attaching to a class of shares:

(i) Any increase in the authorised share capital of the Company

(ii) The issue of any share capital or of any securities capable of being converted into share

capital

(iii) the subdivision or consolidation of any share capital

(iv) Any alteration of the Memorandum or Articles of Association of the Company

(v) Any resolution for the winding up of the Company or for a reduction or repayment of any share capital or the reduction of the share premium account or capital redemption reserve of the Company

(vi) The sale of the whole or (otherwise than in the ordinary course of business) a substantial part of the business undertaking and assets of the Company

TRANSFER OF SHARES

7. (A) Subject to the following provisions of this Article any Member may transfer all or any of his shares whether or not there may be any uncalled liability thereon by an instrument of transfer in the usual common form or in any other form which the Board may approve. Such instrument shall be signed by or on behalf of the Transferor and signature by or on behalf of the Transferee shall not be required and on registration of the transfer the Transferee shall be deemed to have consented to the assumption of liability on his part for the payment of any sum not paid up on such share or shares. Regulation 23 of Table A shall not apply. No transfer of shares shall however be made other than in accordance with the following provisions of this Article, and subject to Article 8.

(B) Save as hereinafter provided a Member who wishes to transfer any of his shares in the Company ("the Vendor") shall give notice in writing to the Directors of the Company ("the Transfer Notice") specifying the shares concerned ("the Sale Shares") and the price per share ("the Specified Price") at which he is willing to sell. The Transfer Notice shall not be revocable and the Specified Price shall not be greater than the value as last certified by the Directors. The Directors may certify the market value of the shares at any time and in certifying the value the Directors shall take advice from the Auditors that their valuation is fair and reasonable. In addition the Board of Directors may in consultation with the Auditors adjust the market value at any time to take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of last certification by the Directors of the market value.

* Adopted by special resolution passed on 3rd October 1989.

(C) The Transfer Notice shall constitute the Directors the agents of the Vendor to offer the Sale Shares to such persons as they in their absolute discretion think fit at the Specified Price.

(D) A Transfer Notice shall (save as provided in paragraph (E) hereof) be given by Members only during the period commencing on the date of the Notice of the Annual General Meeting of the Company and ending on the commencement of the Annual General Meeting of the Company in each year. With each Notice of Annual General Meeting the Directors shall send to all shareholders written notice of the market value of the shares as calculated in accordance with paragraph (B) of this Article 7. In addition a Transfer Notice may be served at such additional times as the Board of Directors may in their absolute discretion determine.

(E) (i) If any shares or any interest in any shares in the Company are transferred to or in any way become held by a Competitor then (unless the Board of Directors of the Company shall in their absolute discretion otherwise determine) such Competitor shall forthwith on receipt of written notice from the Board of Directors forthwith serve a Transfer Notice in respect of all shares in the Company held by him in accordance with the provisions of this Article 7 and the Specified Price shall be the price as calculated by the Directors in accordance with the provisions of paragraph (B) of this Article 7 in force at the date of the service of such Transfer Notice. The Board of Directors shall take account of any capitalisation issue, sub-division or consolidation or distribution in specie which takes place after the date of their last certification of the market value and the Specified Price shall be adjusted accordingly and in addition such adjustment by the Directors shall be taken in the light of advice received from the Auditors that such adjustment is fair and reasonable;

(ii) If the Board of Directors shall have exercised their discretion under sub-paragraph (i) above thus permitting the Competitor to retain his shares notwithstanding that such member is a Competitor the Board of Directors may at any time thereafter at their sole discretion withdraw such permission and require that any or all of the shares held by that Member (provided at such time he still remains a Competitor) be made the subject of a Transfer Notice by notifying the Member concerned in writing. In such event the Member concerned shall within 14 days of receipt of such notice from the Board of Directors serve a Transfer Notice in accordance with the provisions of this Article which shall mutatis mutandis apply;

(iii) Save as above mentioned if any Competitor shall not have served a Transfer Notice in respect of his own holding of Shares when required to do so under the provisions of sub-paragraphs (i) and (ii) above he shall be deemed forthwith thereupon to have served a Transfer Notice in respect of all such shares held by him and is further hereby deemed to have granted a Power of Attorney to any Director of the Company to sign on his behalf any documents required in order to effect the serving of the Transfer

Notice and the transfer of the legal and beneficial interest in the Shares at the Specified Price (as may be adjusted as described in paragraph (i) above);

(iv) For the purposes of this paragraph (E) of Article 7 "Competitor" shall mean any person, firm or company (whether incorporated in this country or elsewhere) or business which directly or indirectly either on their own account or jointly with or for any other firm or company is engaged or concerned or interested in any business which is of the same or similar type to any of the businesses carried on by the Company or any of its subsidiaries from time to time and which is in the view of the Board of Directors in competition with or similar to any businesses carried on by the Company or any of its subsidiaries. It is expressly stated that for the purposes of deciding whether or not a Member is a Competitor the decision of the Board of Directors is final and binding and in coming to such decision the Board of Directors shall act as experts and not as arbitrators;

(v) If the Competitor defaults in transferring the Sale Shares so that the transfer is effected by one of the Directors of the Company exercising the Power of Attorney granted pursuant to paragraph (iii) of this Article 7 then such Director shall receive and give a good discharge for the purchase money on behalf of the Competitor but shall not be bound to earn or pay interest thereon and the Company shall enter the names of the purchasers of the shares of the Competitor in the Register of Members as the holders of the shares which have been transferred to them from the Competitor.

(F) No interest in any shares shall be disposed of or created by any means without the Member concerned giving a Transfer Notice in accordance with this Article (save in circumstances where a transfer of such shares will be permitted under the provisions of paragraph (G) hereof). Any direction or nomination as to allotment of shares issued by the Company or renunciation of that allotment or the right to that allotment by any Member other than to himself shall be treated in the same way as if it were a transfer of shares and shall be subject to the rights and restrictions as are set out in this Article 7 and also in Article 8.

(G) The provisions of this Article 7 shall not apply if the Member wishes to transfer his shares in the following circumstances and accordingly he shall be permitted to transfer his shares and such transfer shall be registered by the Directors and the provisions of Article 8 shall not apply. The particular circumstances are the transfer from the trustees of any trust for the benefit of the Directors and employees of the Company or any of its subsidiaries to any Director or employee or any beneficiary or any such settlement or trust or to the trustees of any other trust for the benefit of the Directors and employees of the Company or any of its subsidiaries

(H) 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 under paragraph (E) of this Article 7 the Directors may require any Member, a legal personal representative of a deceased Member, the trustee of a bankrupt Member or the liquidator of any corporate 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 they may deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Directors within a reasonable time after such request or if any such information or evidence discloses that a Transfer Notice ought to be given in respect of any shares, the Directors shall be entitled to serve the Transfer Notice in respect of the shares concerned specifying a transfer at the market value as last certified in accordance with paragraph (B) of this Article 7 and the provisions of this Article 7 and Article 8 shall take effect accordingly.

8. 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. Regulation 24 and 25 of Table A shall be varied accordingly.

TRANSMISSION OF SHARES

9. The executors or administrators of a deceased Member (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to shares held by him alone; but in the case of shares held by more than one person, the survivor or survivors only shall be recognised by the Company as being entitled to such shares.

* 10. (1) In the event of the death or bankruptcy or insolvency of a Member or by the making of an order under the Mental Health Act 1959 with regard to a Member, any person becoming entitled to a share in consequence of any of such events must within three months of being so entitled produce such evidence of his title as the Directors may require.

(2) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of an order made under the Mental Health Act 1959 shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, unless and until he is registered as a member in respect of the share, be entitled in respect of it to receive notice of or to exercise any rights conferred by membership in relation to meetings of the Company.

* Amended by special resolution passed on 3rd October 1989

PROCEEDINGS AT GENERAL MEETINGS

11. At any general meeting a poll may be demanded by any Member present in person or by proxy and Regulation 46 of Table A shall be varied accordingly.

12. Subject to any rights or restrictions for the time being attached to any class or classes of shares and to Article 9 above, on a show of hands every Member present in person and every person present as a proxy or (in the case of a corporation) as a duly authorised representative for a Member or Members shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder. Regulation 54 of Table A shall not apply. An authority under which an instrument of proxy is executed need not be deposited at the office or other place of holding the meeting in question prior to its taking place. Regulation 62 shall be modified accordingly.

DIRECTORS

13. Unless and until otherwise determined by the Company in general meeting, there shall be no maximum number of Directors and the minimum shall be one. Any sole Director shall have authority to exercise all the powers and discretions by Table A or these Articles expressed to be vested in the Directors generally and Regulation 64 in Table A shall not apply while Regulation 89 shall be modified accordingly. The first Directors shall be the person or persons named in the Statement delivered to the Registrar of Companies in accordance with Section 10 of the Act.

14. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs any services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article or Regulation of Table A.

BORROWING POWERS

15. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the Company's undertaking, property and assets (including any uncalled capital), or any part thereof, and, subject to Section 80 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 (including the Company's holding company).

POWERS AND DUTIES OF DIRECTORS

16. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 317 of the Act. Subject (where applicable) to such disclosure, a Director shall be entitled to vote in respect of any such contract or arrangement in which he is interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. Regulation 94 shall be varied accordingly.

17. The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including but not limited to any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. Regulation 87 of Table A shall not apply.

18. The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

APPOINTMENT AND REMOVAL OF DIRECTORS

19. Without prejudice to any other provision of these Articles governing the appointment and removal of Directors, any Member or Members holding a majority in nominal value of such of the issued share capital for the time being of the Company as carries the unqualified right of attending and voting at general meetings of the Company by memorandum in writing signed by or on behalf of him or them and delivered to the registered office of the Company or tendered at a meeting of the Directors, or at a general meeting of the Company, may at any time and from time to time appoint any person to be a Director either to fill a casual vacancy or in addition to the existing Directors or remove any Director from office howsoever appointed.

20. Both of them, the Directors and the Company in general meeting, shall each have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

21. No Director shall be required to retire or vacate his office or be ineligible for re-appointment as a Director, nor shall any person be ineligible for appointment as a Director, by reason of his having attained any particular age.

22. The office of a Director shall be vacated in any of the following events namely:-

(a) if (not being employed under a contract which precludes resignation) he resigns his office by notice in writing delivered to the Company or tendered at a meeting of the Directors;

(b) if he becomes incapable by reason of mental disorder, illness or injury of managing and administering his property and affairs or he becomes a patient for any purpose of any statute relating to mental health and the Directors resolve that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of any statute or is removed from office pursuant to these Articles;

(f) if he shall for more than six consecutive months have been absent without permission of the Directors from Board meetings held during that period and the Directors resolve that his office be vacated.

23. Regulations 73 to 81 (inclusive) of Table A shall not apply.

PROCEEDINGS OF DIRECTORS

24. A Director absent or intending to be absent from the United Kingdom may request the Board that notices of Board meetings shall during his absence be sent in writing to him at his last known address or any other address given by him to the Company for this purpose, but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. Regulation 88 of Table A shall be varied accordingly.

EXECUTIVE DIRECTORS

25. The Directors may from time to time appoint one or more of their body to any executive office (including that of managing director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company, or the Company may have against such Director, for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

26. Any Director appointed to be an executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may

determine, and either in addition to or in lieu of his remuneration, if any, as a Director. Regulation 84 shall not apply.

DIVIDENDS

+ 27. (a) The Directors may offer the Members the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of such dividend or dividends as may be declared by the Company or the Directors upon such terms and conditions and subject to such exclusions or restrictions as the Directors may, in their absolute discretion, deem necessary or desirable in relation to compliance with legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory.

(b) No fraction of any Ordinary Shares shall be allotted. The Directors may make such provision as they think fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit thereof accrues to the Company

(c) The basis of allotment shall be determined by the Directors so that, as nearly as may be considered convenient (including rounding the ratio on which entitlements are based up or down to the nearest whole number of shares), the market value, determined in accordance with Article 7(B), of the new Ordinary Shares to be allotted instead of any amount of dividend shall equal the amount of the dividend which would otherwise have been payable.

(d) If the Directors determine to allow such right of election on any occasion they shall, after the basis of allotment has been determined give notice in writing to the ordinary shareholders of the right of election accorded to them and shall send with or following such notice forms of election and specify the procedure to be followed and the place at which duly completed forms of election must be lodged in order to be effective.

(e) As regards Ordinary Shares in respect of which rights of election have been made available and duly exercised ("the elected Ordinary Shares"), the relevant dividend shall not be payable, and in lieu thereof and on or with effect from the due date for payment of the dividend in respect of which rights of election have been made available additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise, out of such of the sums standing to the credit of reserves (including any share premium account or capital redemption reserve) or profit and loss account as the Directors may lawfully determine, a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to and amongst the holders of the elected Ordinary Shares on such basis.

+ Adopted by special resolution passed on 22nd May 1990

(f) The additional Ordinary Shares so allotted shall rank pari passu in all respects with the fully-paid Ordinary Shares then in issue save only as regards participation in the relevant dividend (or share election in lieu).

NOTICES

28. Any notice or other document (including a share certificate) may be served on or delivered to any Member of the Company either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, or by delivering it to or leaving it at such registered address, addressed as aforesaid, or by any other means provided such other means have been authorised in writing by the Member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders. Any notice or other document served or delivered in accordance with these Articles of Association shall be deemed duly served or delivered notwithstanding that the Member is then dead or bankrupt or otherwise under any legal disability or incapacity and whether or not the Company had notice thereof. Any such notice or other document, if sent by post, shall be deemed to have been served or delivered on the day when the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

29. Notice of every general meeting shall be given in any manner authorised by or under these Articles of Association to all Members other than such as, under the provisions of these Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company Provided that any member may in writing waive notice of any meeting either prospectively or retrospectively and if he shall do so it shall be no objection to the validity of such meeting that notice was not given to him. Regulation 111 of Table A shall not apply.

INDEMNITY

30. Subject to the provisions of the Act every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Regulation 118 shall not apply.

COMPANY NO: 2029363

SPECIAL RESOLUTION OF

BADGERLINE HOLDINGS LIMITED

AT THE ANNUAL GENERAL MEETING OF THE ABOVE COMPANY, HELD ON 27 MAY 1993, THE SPECIAL RESOLUTION WAS DULY PASSED:

.lh12

"That the contingent contract for the purchase by the company of its own shares, a copy of which is produced to the meeting and initialised by the Chairman for the purpose of identification be and it is hereby approved"

Signed .....
(Secretary)

Dated 26/7/93.....

No. 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

of

BADGERLINE HOLDINGS LIMITED

Passed 8th November 1993

At an Extraordinary General Meeting of the above-named Company, duly convened and held on 8th November 1993, the following Resolutions were duly passed as Special Resolutions:

SPECIAL RESOLUTIONS

1 That-

(a) the Company be re-registered as a public company pursuant to section 43 of the Companies Act 1985 and that the name of the Company be changed to "Badgerline Group plc".

(b) the Memorandum of Association of the Company be altered as follows:-

(i) by inserting after clause 1 the following new clause 2:

"2 The Company is to be a public company";

COMPANIES HOUSE - 9 NOV 1993

(ii) by re-numbering the existing clauses 2, 3, 4 and 5 as clauses 3, 4, 5 and 6.

2 That the Regulations contained in the printed document marked "B" now produced to the Meeting and for the purposes of identification signed by the Chairman thereof be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association thereof.

.....
Chairman

Application by a private company for re-registration as a public company

43(3)

Please do not write in this margin

Pursuant to section 43(3) of the Companies Act 1985

To the Registrar of Companies
(Address overleaf)

For official use

Company number 2029363

Please complete legibly, preferably in black type, or bold block lettering

Name of company

* BADGERLINE HOLDINGS LIMITED

* insert existing full name of company

applies to be re-registered as a public company by the name of ø BADGERLINE GROUP PLC

ø insert full name of company amended to make it appropriate for this company as a public limited company

and for that purpose delivers the following documents for registration:

1 Declaration made by a director or the secretary in accordance with section 43(3)(e) of the above Act (on Form No 43(3)(e))

2 Printed copy of memorandum and articles as altered in pursuance of the special resolution under section 43(1)(a) of the above Act.

3 Copy of auditors written statement in accordance with section 43(3)(b) of the above Act

4 Copy of relevant balance sheet and of auditors unqualified report on it

§ delete if section 44 of the Act does not apply

~~[5 Copy of any valuation report.]§~~

† delete as appropriate

Signed [~~Director~~][Secretary]† Date 2 November 1993

Presentor's name address and reference (if any):

Ref: BTJ/RAB/7602.76

BURGES SALMON,
SOLICITORS,
ARROW QUAY HOUSE,
PRINCE STREET,
BRISTOL.
BS1 4AH

For official Use
General Section

Post room

COMPANIES HOUSE - 9 NOV 1993

£250 Re-reg. CN.
NAT. WEST. BANK
062650 56 0005
0000 7341

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

- OF -

BADGERLINE GROUP plc

(Incorporated on 18th June 1986 and
re-registered as a public company
on 9th November 1993)

Burges Salmon
Bristol

Company Number: 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

[1]BADGERLINE GROUP plc

[1]1 The name of the Company is "BADGERLINE GROUP plc"

[2]2 The Company is to be a public company.

3 The registered office of the Company will be situate in England and Wales.

4 The objects for which the Company is established are:-

(A) To carry on any business, undertaking, transaction or operation commonly carried on or undertaken by manufacturers, Merchants and dealers (both wholesale and retail) in all or any articles of commercial and personal use and consumption, or by providers of services, importers, exporters, shipowners, bankers, factors, capitalists, promoters, financiers, real property dealers and investors, concessionaires, brokers, contractors, mercantile and general agents, advertising agents, publishers, carriers and transporters of all kinds and to carry on all or any of the said businesses either together as one business or as separate distinct businesses in any part of the world.

[3](BB) To act as a holding company and to invest any money of the Company in and to hold, sell and ideal with the stock, shares, bonds, debentures, debenture stock, obligations, notes and securities of any state, company or corporation, municipal or local authority, or other body or authority.

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[1]The name of the Company was changed from Quayshelfco 135 Limited to Badgerline Holdings Limited on 1st September 1986 pursuant to a Special Resolution passed on 19th August 1986 and on 9th November 1993 the Company was re-registered as a public company and changed its name to Badgerline Group plc pursuant to a Special Resolution passed 8th November 1993

[2]Adopted by Special Resolution passed 8th November 1993

[3]Adopted by Special Resolution passed on 23rd September 1986

(B) To acquire and assume for any estate or interest and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act and carry on business as a holding company.

(C) To manufacture, process, import, export, deal in and store any goods and other things and to carry on the business of manufacturers, processers, importers, exporters and storers of and dealers in any goods and other things.

(D) To acquire and exploit lands, mines and mineral rights and any interest therein and to acquire, explore for and exploit any natural resources and to carry on any business involving the ownership or possession of lands or other immovable property or buildings or structures thereon and to construct, erect, install, enlarge, alter and maintain buildings, plant and machinery and to carry on business as builders, contractors and engineers.

(E) To provide services of all descriptions and to carry on business as advisers, consultants, brokers and agents of any kind.

(F) To advertise, market and sell the products of the Company and of any other person and to carry on the business of advertisers or advertising agents or of a marketing and selling organisation or of a supplier, wholesaler, retailer, Merchant or dealer of any kind.

(G) To provide technical, cultural, artistic, educational, entertainment or business material, facilities or services and to carry on any business involving any such provision.

(H) To lend money, grant or provide credit and financial accommodation, to any person and to carry on the business of a banking, finance or insurance company.

(I) To invest money of the Company in any investments and to hold, sell or otherwise deal with such investments, and to carry on the business of a property or investment company.

(J) To acquire and carry on any business carried on by a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company.

(K) To enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises and concessions and to carry out, exercise and comply with the same.

(L) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the

Company or by the creation and issue of securities.

(M) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.

(N) To amalgamate or enter into partnership or any profit-sharing arrangement with, and co-operate or participate in any way with, and assist or subsidise any person.

(O) To accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, and other instruments and securities, whether negotiable or otherwise.

(P) To apply for and take out, purchase or otherwise acquire any trade and service marks and names, designs, patents, patent rights, inventions and secret processes and to carry on the business of an inventor, designer or research organisation.

(Q) To sell, exchange, Mortgage, charge, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose of, all or any part of the undertaking, property and assets (present and future) of the Company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities.

(R) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

(S) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind and to undertake and execute any trust.

(T) To establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees, or those of its subsidiary or holding company or subsidiary of its holding company, or by or for the benefit of such other persons as may for the time being be permitted by law, or any scheme for sharing profits with its employees or those of its subsidiary and/or associated companies, and (so far as for the time being permitted by law) to lend money to the Company's employees (other than directors) with a view to enabling them to acquire shares in the Company or its holding company.

(U) To pay all the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and incorporation of the Company, and to procure the registration or incorporation of the Company in or under the laws of any place outside England.

(V) To grant pensions, annuities, or other allowances, including allowances on death, to any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or any predecessor in business of any of them and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or whom the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payments towards insurances or other arrangements likely to benefit any such persons or otherwise advance the interests of the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly to further the interests of the Company or of its Members or for any national, charitable, benevolent, educational, social, public, general or useful object.

(W) To cease carrying on or wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.

(X) To distribute any of the property of the Company among its creditors and Members in specie or kind.

(Y) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.

(Z) To carry on any other business or activity and do anything of any nature which in the opinion of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its

Members.

(AA) To do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that "company" in this Clause, except where used in reference to this Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this Clause shall not, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company, but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.

5 The liability of the Members is limited.

[4]6 The share capital of the Company is £100 divided into 100 Shares of £1 each, and the Company shall have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

---

[4]The share capital was increased from £100 divided into Shares of 100 of £1 each to £166,825 divided into 166,825 Shares of £1 each by ordinary resolution passed on 23rd September 1986 and from £166,825 to £2,000,000 divided into 2,000,000 Shares of £1 each by ordinary resolution passed on 21st May 1987. The Shares were subdivided into 10,000,000 shares of 20 pence each by a special resolution passed on 27th June 1989. By a conditional special resolution dated 8th November 1993 the shares were to be further subdivided into 40 000,000 shares of 5 pence each and the share capital was increased from £2,000,000 to £6,000,000 by the creation of 80,000,000 new ordinary shares of 5 pence each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS	Number of Shares taken by each Subscriber
R.T. Wynn-Jones Narrow Quay House Prince Street BRISTOL BS1 4AH Solicitor	One
S.C. Quayle Narrow Quay House Street .OL BS1 4AH Solicitor	One

DATED the 23rd day of April 1986

WITNESS to the above signatures:-

D A French

Narrow Quay House
Prince Street
BRISTOL
BS1 4AH

Secretary

07602112.fn1

2,029,363

BADGERLINE GROUP plc

ARTICLES OF ASSOCIATION

Burges Salmon
Bristol

CONTENTS

Article No.		Page
PRELIMINARY		1
1	Table "A" not to apply	1
2	Interpretation	1
3	Registered Office	4
SHARE CAPITAL		4
4	Authorised share capital	4
5	Allotment	4
6	Redeemable shares	4
7	Power to attach rights	4
8	Share warrants	5
9	Commission and brokerage	5
10	Trusts not to be recognised	5
SHARE CERTIFICATES		6
11	Right to certificates	6
12	Replacement certificates	6
LIEN ON SHARES		7
13	Lien on shares not fully paid	7
14	Enforcement of lien by sale	7
15	Application of proceeds of sale	7
CALLS ON SHARES		8
16	Calls	8
17	Interest on calls	8
18	Rights of member when call unpaid	8
19	Sums due on allotment treated as calls	9
20	Power to differentiate	9
21	Payment in advance of calls	9
22	Delegation of power to make calls	9
23	Indemnity against claims in respect of shares	9
FORFEITURE OF SHARES		10
24	Notice if call not paid	10
25	Forfeiture for non-compliance	11
26	Notice after forfeiture	11
27	Forfeiture may be annulled	11
28	Surrender	11
29	Disposal of forfeited shares	11
30	Effect of forfeiture	12

31 Extinction of claims 12
32 Evidence of forfeiture 12

TRANSFER OF SHARES 12
33 Form of transfer 13
34 Right to refuse registration 13
35 Notice of refusal 13
36 Closing of Register 14
37 Fees on registration 14
38 Other powers in relation to transfers 14

TRANSMISSION OF SHARES 14
39 On death 14
40 Election of person entitled by transmission 14
41 Rights on transmission 15

DESTRUCTION OF DOCUMENTS 15
42 Destruction of documents 15

ALTERATION OF SHARE CAPITAL 16
43 Increase, consolidation, cancellation and sub-division 16
44 Fractions 17
45 Reduction of capital 17
46 Purchase of own shares 18

VARIATION OF CLASS RIGHTS 18
47 Sanction to variation 18
48 Class meetings 18
49 Deemed variation 19

GENERAL MEETINGS 19
50 Annual general meetings 19
51 Extraordinary general meetings 19
52 Convening of extraordinary general meeting 19
53 Notice of general meetings 19
54 Omission to send notice 20
55 Special business 20

PROCEEDINGS AT GENERAL MEETINGS 21
56 Quorum 21
57 If quorum not present 21
58 Chairman 21
59 Director may attend and speak 21
60 Power to adjourn 22
61 Notice of adjourned meeting 22
62 Business of adjourned meeting 22
63 Accommodation of members and security at meeting 22

VOTING 23

64 Method of voting 23
65 Chairman's declaration conclusive on show of hands 24
66 Objection to error in voting 24
67 Amendment to resolutions 24
68 Procedure on a poll 24
69 Votes of members 25
70 Casting vote 26
71 Restriction on voting rights for unpaid calls etc. 26
72 Voting by proxy 26
73 Form of proxy 26
74 Deposit of proxy 27
75 More than one proxy may be appointed 27
76 Board may supply proxy cards 27
77 Revocation of proxy 28
78 Corporate representative 28
79 Failure to disclose interests in shares 28

UNTRACED MEMBERS 31
80 Power of sale 31
81 Application of proceeds of sale 32

PRESIDENT 32
82 Appointment of President 32
83 Duties of President 33

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS 33
84 Number of Directors 33
85 Power of Company to appoint Directors 33
86 Power of Board to appoint Directors 33
87 Appointment of executive Directors 33
88 Eligibility of new Directors 34
89 Share qualification 34
90 Resolution for appointment 34
91 Retirement by rotation 34
92 Directors subject to retirement by rotation 34
93 Position of retiring Director 35
94 Deemed re-appointment 35
95 No retirement on account of age 35
96 Removal by ordinary resolution 35
97 Vacation of office by Director 36
98 Resolution as to vacancy conclusive 36

ALTERNATE DIRECTORS 36
99 Appointments 36
100 Participation in Board meetings 37
101 Alternate Director responsible for own acts 37
102 Interests of alternate Director 37
103 Revocation of appointment 37

DIRECTORS' REMUNERATION, EXPENSES AND PENSIONS 38
104 Directors' fees 38
105 Expenses 38
106 Additional remuneration 38
107 Remuneration of executive Directors 38
108 Pensions and other benefits 39

POWERS AND DUTIES OF THE BOARD 39
109 Powers of the Board 39
110 Powers of Directors being less than minimum number 39
111 Powers of executive Directors 40
112 Delegation to committees 40
113 Local management 41
114 Power of attorney 41
115 Associate directors 41
116 Exercise of voting power 41
117 Provision for employees 42
118 Overseas registers 42
119 Borrowing powers 42

PROCEEDINGS OF DIRECTORS AND COMMITTEES 47
120 Board meetings 47
121 Notice of Board meetings 47
122 Quorum 47
123 Chairman of Board 47
124 Voting 48
125 Participation by telephone 48
126 Resolution in writing 48
127 Proceedings of committees 49
128 Minutes of proceedings 49
129 Validity of proceedings 49

DIRECTORS' INTERESTS 49
130 Director may have interests 49
131 Disclosure of interests to Board 50
132 Interested Director not to vote or count for quorum 50
133 Director's interest in own appointment 52
134 Chairman's ruling conclusive on Director's interest 52
135 Directors' resolution conclusive on Chairman's interest 53
136 Company may suspend or relax provisions 53
137 Definitions 53

THE SEAL 53
138 Application of Seal 53
139 Deed without sealing 54
140 Official seal for use abroad 54

THE SECRETARY 54
141 The Secretary 54

DIVIDENDS AND OTHER PAYMENTS 55
142 Declaration of dividends 55
143 Interim dividends 55
144 Entitlement to dividends 55
145 Calls or debts may be deduc[illegible]rom dividends 55
146 Distribution in specie 55
147 Dividends not to bear interest 56
148 Method of payment 56
149 Uncashed dividends 57
150 Unclaimed dividends 57
151 Payment of scrip dividends 57
152 Reserves 59
153 Capitalisation of reserves 59
154 Record dates 61

ACCOUNTS 61
155 Accounting records 61
156 Inspection of records 61
157 Accounts to be sent to members 61
158 Summary financial statements 62

NOTICES 62
159 Notices to be in writing 62
160 Service of notice on members 62
161 Notice in case of death, bankruptcy or mental disorder 63
162 Evidence of service 63
163 Notice binding on transferees 63
164 Notice by advertisement 63
165 Suspension of postal services 64

WINDING UP 64
166 Division of assets 64
167 Transfer or sale under section 110 Insolvency Act 1986 64

INDEMNITY 65
168 Right to indemnity 65
169 Power to insure 65

No. 2029363

THE COMPANIES ACT 1985
(as amended)

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

BADGERLINE GROUP plc

(as adopted by Special Resolution passed on 8th November 1993)

PRELIMINARY

1 **Table "A" not to apply**

1.1 No regulations for management of a company set out in any schedule to any statute concerning companies or contained in any regulations or instrument made pursuant to a statute shall apply to the Company, but the following shall be the Articles of Association of the Company.

2 **Interpretation**

2.1 In these Articles, unless the context otherwise requires, the following expressions have the following meanings:

"**Act**" means subject to paragraph 2.3 of this Article, the Companies Act 1985 and, where the context requires, every other statute from time to time in force concerning companies and affecting the Company

"**these Articles**" means these Articles of Association as altered or varied from time to time (and "Article" means one of these Articles)

"**Auditors**" means the auditors for the time being of the Company or, in the case of joint auditors, any one of them

"**Board**" means the board of Directors for the time being of the Company or the Directors present at a duly convened meeting of Directors at which a quorum is present

"**Chairman**" means the chairman (if any) of the Board or, where the context requires, the chairman of a general meeting of the Company

"**clear days**" means (in relation to the period of a notice) that period, excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect

"**Company**" means Badgerline Group plc

"**Depositary**" means a custodian or other person (or a nominee for such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board whereby such custodian or other person or nominee holds or is interested in shares of the Company or rights or interests in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to or to receive such shares, rights or interests, provided and to the extent that such arrangements have been approved by the Board for the purpose of these Articles, and shall include, where approved by the Board, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company or any other scheme or arrangement principally for the benefit of employees or those in the service of the Company and/or its subsidiaries or their respective businesses, which the Board has approved

"**Director**" means a director for the time being of the Company

"**dividend**" means a distribution or a bonus

"**execution**" means any mode of execution (and "executed" shall be construed accordingly)

"**holder**" means (in relation to any share) the member whose name is entered in the Register as the holder or, where the context permits, the members whose names are entered in the Register as the joint holders, of that share

"**member**" means a member of the Company or, where the context requires, a member of the Board or of any committee

"**Office**" means the registered office for the time being of the Company

"**paid up**" means paid up or credited as paid up

"**recognised person**" means a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange who is designated as mentioned in section 185(4) of the Act

"**Register**" means the register of members of the Company to be kept pursuant to section 352 of the Act or, as the case may be, any overseas branch register kept pursuant to Article 118

"**Seal**" means the common seal of the Company or any official seal kept by the Company by virtue of section 40 of the Act

"**Secretary**" means the secretary for the time being of the Company or any other person appointed to perform any of the duties of the secretary of the Company including (subject to the provisions of the Act) a joint, temporary, assistant or deputy secretary

"**share**" means a share of the Company

"**the London Stock Exchange**" means The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited or any other principal stock exchange in the United Kingdom for the time being

"**United Kingdom**" means Great Britain and Northern Ireland

"**writing or written**" means includes printing, typewriting, lithography, photography and any other mode or modes of representing or reproducing words in a legible and non-transitory form.

2.2 Unless the context otherwise requires:

(a) words in the singular include the plural, and vice versa;

(b) words importing the masculine gender include the feminine gender;

(c) a reference to a person includes a body corporate and an unincorporated body of persons.

2.3 A reference to any statute or provision of a statute shall include any orders, regulations or other subordinate legislation made under it and shall, unless the context otherwise requires, include any statutory modification or re-enactment of it for the time being in force.

2.4 Save as aforesaid, and unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act save that the word "company" shall include any body corporate.

2.5 Where for any purpose an ordinary resolution of the Company is required, a special resolution or an extraordinary resolution shall also be effective, and,

subject to the Act, where an extraordinary resolution is required a special resolution shall also be effective.

2.6 The headings are inserted for convenience only and shall not affect the construction of these Articles.

3 Registered Office

3.1 The Office shall be at such place in England and Wales as the Board shall from time to time appoint.

SHARE CAPITAL

4 Authorised share capital

4.1 The authorised share capital of the Company, upon admission of the ordinary share capital of the Company to the Official List of the London Stock Exchange, will be £6,000,000 divided into 120,000,000 Ordinary Shares of 5p each.

5 Allotment

5.1 Subject to the provisions of the Act and to any relevant authority of the Company in general meeting required by the Act, unissued shares at the date of adoption of these Articles and any shares hereafter created shall be at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions and for such consideration as the Board may decide, provided that no share shall be issued at a discount.

6 Redeemable shares

6.1 Subject to the provisions of the Act and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share is liable, to be redeemed on such terms and in such manner as these Articles may provide.

7 Power to attach rights

7.1 Subject to the provisions of the Act and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine.

8 Share warrants

8.1 The Company may, with respect to any fully paid shares, issue a warrant (a "share warrant") stating that the bearer of the warrant is entitled to the shares specified in it and may provide (by coupons or otherwise) for the payment of future dividends on the shares included in a share warrant.

8.2 The powers referred to in Article 8.1 may be exercised by the Board, which may determine and vary the conditions on which share warrants shall be issued, and in particular on which:

(a) a new share warrant or coupon will be issued in the place of one damaged, defaced, worn out or lost (provided that no new share warrant shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original has been destroyed);

(b) the bearer of a share warrant shall be entitled to receive notice of and to attend, vote and demand a poll at general meetings;

(c) dividends will be paid; and

(d) a share warrant may be surrendered and the name of the holder entered in the Register in respect of the shares specified in it.

Subject to such conditions and to these Articles, the bearer of a share warrant shall be deemed to be a member for all purposes. The bearer of a share warrant shall be subject to the conditions for the time being in force and applicable thereto, whether made before or after the issue of such share warrant.

9 Commission and brokerage

9.1 The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Subject to the provisions of the Act, any such commission or brokerage may be satisfied by the payment of cash, the allotment of fully or partly paid shares, the grant of an option to call for an allotment of shares or any combination of such methods.

10 Trusts not to be recognised

10.1 Except as otherwise expressly provided by these Articles, as required by law or as ordered by a court of competent jurisdiction, the Company shall not recognise any person as holding any share on any trust, and (except as aforesaid) the Company shall not be bound by or recognise (even if having notice of it) any equitable, contingent, future, partial or other claim to or interest in any share except an absolute right of the holder to the whole of the share.

SHARE CERTIFICATES

11 Right to certificates

11.1 On becoming the holder of any share, every person (except a recognised person in respect of whom the Company is not by law required to complete and have ready for delivery a certificate) shall be entitled, without charge, to have issued within two months after allotment or lodgment of a transfer (unless the terms of issue of the shares provide otherwise) one certificate for all the shares of each class registered in his name. Such certificate shall specify the number, class, and distinguishing numbers (if any) of the shares in respect of which it is issued and the amount or respective amounts paid up thereon and shall be issued either under the Seal (which may be affixed to it or printed on it) or in such other manner having the same effect as if issued under a seal as the Board may approve.

11.2 If and so long as all the issued shares of the Company or all the issued shares of a particular class are fully paid up and rank pari passu for all purposes then none of those shares shall bear a distinguishing number. In all other cases each share shall bear a distinguishing number.

11.3 The Company shall not be bound to issue more than one certificate in respect of shares held jointly by two or more persons. Delivery of a certificate to the person first named on the register shall be sufficient delivery to all joint holders.

11.4 Where a member (other than a recognised person) has transferred part only of the shares comprised in a certificate, he shall be entitled without charge to a certificate for the balance of such shares.

11.5 No certificate shall be issued representing shares of more than one class, or in respect of shares held by a recognised person.

12 Replacement certificates

12.1 Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge on surrender of the original certificates for cancellation.

12.2 If any member shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Board may, if it thinks fit, comply with such request.

12.3 Share certificates may be renewed or replaced on such terms as to provision of evidence and indemnity (with or without security) and to payment of any exceptional out of pocket expenses, including those incurred by the Company in investigating such evidence and preparing such indemnity and security, as the

Board may decide, and on surrender of the original certificate (where it is defaced or worn out), but without any further charge.

12.4 In the case of shares held jointly by several persons, any such request as is mentioned in this Article 12 may be made by any one of the joint holders.

LIEN ON SHARES

13 Lien on shares not fully paid

13.1 The Company shall have a first and paramount lien on any of its shares which are not fully paid, to the extent and in the circumstances permitted by section 150 of the Act. The Board may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

14 Enforcement of lien by sale

14.1 The Board may sell all or any of the shares subject to any lien at such time or times and in such manner as it may determine. However, no sale shall be made until such time as the moneys in respect of which such lien exists or some part thereof are or is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until a demand and notice in writing stating the amount due or specifying the liability or engagement and demanding payment or fulfilment or discharge thereof and giving notice of intention to sell in default shall have been served on the holder or the persons (if any) entitled by transmission to the shares, and default in payment, fulfilment or discharge shall have been made by him or them for 14 clear days after service of such notice. For giving effect to any such sale, the Board may authorise some person to execute an instrument of transfer of the shares sold in the name and on behalf of the holder or the persons entitled by transmission in favour of the purchaser or as the purchaser may direct. The purchaser shall not be bound to see to the application of the purchase money, and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

15 Application of proceeds of sale

15.1 The net proceeds of any sale of shares subject to any lien, after payment of the costs, shall be applied in or towards satisfaction of so much of the amount due to the Company, or of the liability or engagement (as the case may be) as is presently payable or is liable to be presently fulfilled or discharged. The balance (if any) shall (on surrender to the Company for cancellation of the certificate for the shares sold, and subject to a like lien for any moneys not presently payable or any liability or engagement not liable to be presently fulfilled or discharged as existed on the shares before the sale) be paid to the holder (immediately before the sale) of the shares so sold or the person (if any) entitled by transmission to the shares so sold (without interest).

CALLS ON SHARES

16 Calls

16.1 Subject to the terms of allotment of shares, the Board may from time to time make calls on the members in respect of any moneys unpaid on the shares or any class of shares held by them respectively (whether in respect of nominal value or premium) and not payable on a date fixed by or in accordance with the terms of issue. Each member shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made and whether or not by instalments) be liable to pay the amount of every call so made on him as required by the notice. A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed or (as the case may require) any person to whom power has been delegated pursuant to these Articles serves notice of exercise of such power. A call may be required to be paid by instalments and may, before receipt by the Company of any sum due thereunder, be either revoked or postponed in whole or part as regards all or any such members as the Board may determine. A person on whom a call is made shall remain liable notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable for the payment of all calls in respect thereof.

17 Interest on calls

17.1 If the whole of the sum payable in respect of any call is not paid on or before the day appointed for payment, the person from whom it is due and payable shall pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment, together with interest on the unpaid amount from the day appointed for payment thereof to the time of actual payment at the rate fixed by the terms of the allotment of the share or in the notice of the call or, if no rate is so fixed, at such rate, not exceeding 15 per cent. per annum (compounded on a 6 monthly basis), as the Board shall determine. The Board may waive payment of such costs, charges, expenses or interest in whole or in part.

18 Rights of member when call unpaid

18.1 Unless the Board otherwise determines, no member shall be entitled to receive any dividend or to be present and vote at any general meeting either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other privilege as a member unless and until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

19 Sums due on allotment treated as calls

19.1 Any sum payable in respect of a share on allotment or at any fixed date, whether in respect of the nominal value of the share or by way of premium or as an instalment of a call, shall for all purposes of these Articles be deemed to be a call duly made. If it is not paid, the provisions of these Articles shall apply as if such amount had become due and payable by virtue of a call.

20 Power to differentiate

20.1 The Board may make arrangements on the allotment or issue of shares for a difference as between the allottees or holders of such shares in the amount and time of payment of calls.

21 Payment in advance of calls

21.1 The Board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid on the shares held by him. Such payment in advance of calls shall extinguish pro tanto the liability on the shares on which it is made. The Company may pay interest on the money paid in advance, or so much of it as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, at such rate as the Board may decide. The Board may at any time repay the amount so advanced on giving to such member not less than three months' notice in writing of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced.

22 Delegation of power to make calls

22.1 If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Board may delegate on such terms as it thinks fit to the person in whose favour such mortgage or security is executed, or to any other person in trust for him, the power to make calls on the members in respect of such uncalled capital, to sue in the name of the Company or otherwise for the recovery of moneys becoming due in respect of calls so made and to give valid receipts for such moneys. The power so delegated shall subsist during the continuance of the mortgage or security, notwithstanding any change of Directors, and shall be assignable if expressed so to be.

23 Indemnity against claims in respect of shares

23.1 Whenever any law for the time being of any country, state or place imposes or purports to impose any immediate or future or possible liability on the Company to make any payment, or empowers any government or taxing authority or government official to require the Company to make any payment, in respect of any shares held either jointly or solely by any member or in respect of any dividends or other monies due or payable or accruing due or which may become

due or payable to such member by the Company or in respect of any such shares or for or on account or in respect of any member, and whether in consequence of:

(a) the death of such member;

(b) the non-payment of any income tax or other tax by such member;

(c) the non-payment of any estate, probate, succession, death, stamp, or other duty by the executor or administrator of such member or by or out of his estate; or

(d) any other act or thing;

the Company in every such case:

(i) shall be fully indemnified by such member or his executor or administrator from all liability arising by virtue of such law; and

(ii) may recover as a debt due from such member or his executor or administrator (wherever constituted or residing) any monies paid by the Company under or in consequence of any such law, together with interest thereon at the rate of 15 per cent. per annum thereon from the date of payment to the date of repayment.

Nothing contained in this Article shall prejudice or affect any right or remedy which any law may confer or purport to confer on the Company and as between the Company and every such member as aforesaid, his executor, administrator, and estate wherever constituted or situated, any right or remedy which such law shall confer or purport to confer on the Company shall be enforceable by the Company.

FORFEITURE OF SHARES

24 Notice if call not paid

24.1 If any member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment, the Board may at any time serve a notice in writing on such member or on any person entitled to the shares by transmission, requiring payment, on a date not less than 14 clear days from the date of the notice, of the amount unpaid and any interest which may have accrued thereon and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where the payment is to be made and state that, if the notice is not complied with, the shares in respect of which such call was made will be liable to be forfeited.

25 Forfeiture for non-compliance

25.1 If the notice referred to in Article 24 is not complied with, any share in respect of which it was given may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

26 Notice after forfeiture

26.1 When any share has been forfeited, notice of the forfeiture shall be served on the person who was before forfeiture the holder of the share or the person entitled to such share by transmission (as the case may be). An entry of such notice having been given and of the forfeiture with the date thereof shall forthwith be made in the Register in respect of such share. However, no forfeiture shall be invalidated by any omission to give such notice or to make such entry as aforesaid.

27 Forfeiture may be annulled

27.1 The Board may, at any time before any share so forfeited has been cancelled or sold, re-allotted or otherwise disposed of, annul the forfeiture, on the terms that payment shall be made of all calls and interest due thereon and all expenses incurred in respect of the share and on such further terms (if any) as the Board shall see fit.

28 Surrender

28.1 The Board may accept a surrender of any share liable to be forfeited. In such case references in these Articles to forfeiture shall include surrender.

29 Disposal of forfeited shares

29.1 Every share which shall be forfeited shall thereupon become the property of the Company. Subject to the provisions of the Act, any such share may be sold, re-allotted or otherwise disposed of, either to the person who was before forfeiture the holder thereof or entitled thereto or to any other person, on such terms and in such manner as the Board shall determine. The Board may, for the purposes of the disposal, authorise some person to execute an instrument of transfer in respect of the share in question and may enter the name of the transferee in respect of the transferred share in the Register notwithstanding the absence of any share certificate being lodged in respect thereof and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the share. The Company may receive the consideration (if any) given for the share on its disposal.

30 **Effect of forfeiture**

30.1 A shareholder whose shares have been forfeited shall cease to be a member in respect of the shares forfeited and shall surrender to the Company for cancellation the certificate for such shares. He shall nevertheless be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon from the date of the forfeiture to the date of payment, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) claims, demands and liabilities which the Company might have enforced in respect of the shares at the time of forfeiture, without any reduction or allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

31 **Extinction of claims**

31.1 The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the holder whose share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past members.

32 **Evidence of forfeiture**

32.1 A statutory declaration by a Director or the Secretary that a share has been forfeited in pursuance of these Articles, and stating the date on which it was forfeited, shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive evidence of the facts therein stated. The declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof and a certificate for the share under the Seal delivered to the person to whom the same is sold or disposed of, shall (subject if necessary to the execution of an instrument of transfer) constitute a good title to the share. Subject to the execution of any necessary transfer, such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of the purchase money or other consideration (if any), nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture or disposal of the share. Such person shall not (except by express agreement with the Company) become entitled to any dividend which might have accrued on the share before the completion of the sale or disposition thereof.

TRANSFER OF SHARES

33 Form of transfer

33.1 Each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it. All instruments of transfer, when registered, may (subject to Article 42.1(a)) be retained by the Company.

34 Right to refuse registration

34.1 The Board may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless:

(a) it is in respect of a share which is fully paid up;

(b) it is in respect of a share on which the Company has no lien;

(c) it is in respect of only one class of shares;

(d) it is in favour of a single transferee or not more than four joint transferees;

(e) it is duly stamped (if so required); and

(f) it is delivered for registration to the Office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

35 Notice of refusal

35.1 If the Board refuses to register a transfer of a share it shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

36 Closing of Register

36.1 The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine. Notice of closure of the Register shall be given in accordance with the requirements of the Act.

37 Fees on registration

37.1 No fee shall be charged for registration of a transfer or on the registration of any probate, letters of administration, certificate of death or marriage, power of attorney, notice or other instrument relating to or affecting the title to any shares.

38 Other powers in relation to transfers

38.1 Nothing in these Articles shall preclude the Board:

(a) from recognising a renunciation of the allotment of any share by the allottee in favour of some other person; or

(b) if empowered by these Articles to authorise any person to execute an instrument of transfer of a share, from authorising any person to transfer that share in accordance with any procedures implemented pursuant to Articles 14.1, 29.1, 44.2 and 80.2.

TRANSMISSION OF SHARES

39 On death

39.1 If a member dies, the survivors or survivor, where he was a joint holder, and his personal representatives, where he was a sole or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his shares. Nothing in these Articles shall release the estate of a deceased member from any liability in respect of any share which has been solely or jointly held by him.

40 Election of person entitled by transmission

40.1 Any person becoming entitled to a share in consequence of the death or bankruptcy of any member, or of any other event giving rise to a transmission of such entitlement by operation of law, may, on such evidence as to his title being produced as the Board may require, elect either to become registered as a member or to have some person nominated by him registered as a member. If he elects to become registered himself, he shall give notice to the Company to that effect. If he elects to have some other person registered, he shall execute an instrument of transfer of such share to that person. All the provisions of these

Articles relating to the transfer of shares shall apply to the notice or instrument of transfer (as the case may be) as if it were an instrument of transfer executed by the member and his death, bankruptcy or other event as aforesaid had not occurred. Where the entitlement of a person to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the Board, the Board shall within two months after proof cause the entitlement of that person to be noted in the Register.

41 Rights on transmission

41.1 Where a person becomes entitled to a share in consequence of the death or bankruptcy of any member, or of any other event giving rise to a transmission of such entitlement by operation of law, the rights of the holder in relation to such share shall cease. However, the person so entitled may give a good discharge for any dividends and other moneys payable in respect of it and shall have the same rights to which he would be entitled if he were the holder of the share, except that he shall not, before he is registered as the holder of the share, be entitled in respect of it to receive notice of, or to attend or vote at, any meeting of the Company or at any separate meeting of the holders of any class of shares of the Company. The Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share. If the notice is not complied with within 60 days, the Board may thereafter withhold payment of all dividends and other moneys payable in respect of such share until the requirements of the notice have been complied with.

DESTRUCTION OF DOCUMENTS

42 Destruction of documents

42.1 The Company may destroy:

(a) any instrument of transfer, after six years from the date on which it is registered;

(b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address, after two years from the date on which it is recorded by the Company;

(c) any share certificate, after one year from the date on which it is cancelled; and

(d) any other document on the basis of which any entry in the Register is made, after six years from the date on which an entry was first made in the Register in respect of it,

Provided that the Company may destroy any such type of document after such shorter period as the Board may determine if a copy of such document is retained on microfilm or other similar means.

42.2 It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of a document so destroyed was duly and properly made, that every instrument of transfer so destroyed was duly registered, that every share certificate so destroyed was duly cancelled, that every other document so destroyed had been properly dealt with in accordance with its terms and was valid and effective in accordance with the particulars in the records of the Company, provided that:

(a) this Article 42 shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties to it) to which the document might be relevant;

(b) nothing in this Article 42 shall be construed as imposing on the Company any liability in respect of the destruction of any such document otherwise than as provided for in this Article 42 which would not attach to the Company in the absence of this Article 42; and

(c) references in this Article 42 to the destruction of any document include references to the disposal of it in any manner.

ALTERATION OF SHARE CAPITAL

43 <u>Increase, consolidation, cancellation and sub-division</u>

43.1 The Company in general meeting may from time to time by ordinary resolution:

(a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) subject to the provisions of the Act, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

44 Fractions

44.1 Whenever as the result of any consolidation, division or sub-division of shares any difficulty arises, the Board may settle it as it thinks fit, and in particular (but without prejudice to the generality of the foregoing) where the number of shares held by any holder is not an exact multiple of the number of shares to be consolidated into a single share and as a result of such consolidation such holder would become entitled to a fraction of a consolidated share:

(a) the Board may determine which of the shares of such holder are to be treated as giving rise to such fractional entitlement and may decide that any of those shares shall be consolidated with any of the shares of any other holder or holders which are similarly determined by it to be treated as giving rise to a fractional entitlement for such other holder or holders, into a single consolidated share and the Board may, on behalf of all such holders, sell such consolidated share for the best price reasonably obtained to any person (including the Company) and distribute the net proceeds of sale after deduction of the expenses of sale in due proportion among those holders (except that any amount otherwise due to a holder, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company); or

(b) provided that the necessary unissued shares are available, the Board may issue to such holder credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding to an exact multiple of the number of shares to be consolidated into a single share (such issue being deemed to have been effected prior to consolidation); and the amount required to pay up such shares shall be appropriated at the Board's discretion from any of the sums standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) or to the credit of profit and loss account and capitalised by applying the same in paying up the share.

44.2 For the purposes of any sale of consolidated shares pursuant to Article 44.1, the Board may authorise some person to execute an instrument of transfer of the shares to, or in accordance with, the directions of the purchaser, and the transferee shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

45 Reduction of capital

45.1 Subject to the provisions of the Act and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.

46 Purchase of own shares

46.1 Subject to the provisions of the Act and to any rights for the time being attached to any shares, the Company may purchase any of its own shares of any class (including any redeemable shares). Any shares to be so purchased may be selected in any manner whatsoever, provided that if at the relevant date proposed for approval of the proposed purchase there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company (other than those which are only convertible into shares which as respects dividend and capital carry a right to participate only up to a specified amount in a distribution), then no such purchase shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of such class of convertible shares.

VARIATION OF CLASS RIGHTS

47 Sanction to variation

47.1 If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as hereinafter provided (but not otherwise).

47.2 The foregoing provisions of this Article shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied.

48 Class meetings

48.1 All the provisions in these Articles as to general meetings shall mutatis mutandis apply to every meeting of the holders of any class of shares. The quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class. Every holder of shares of the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him. If at any adjourned meeting of such holders such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

49 Deemed variation

49.1 Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority thereto in any respect, but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking pari passu in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and these Articles.

GENERAL MEETINGS

50 Annual general meetings

50.1 Subject to the provisions of the Act, annual general meetings shall be held at such time and place as the Board may determine.

51 Extraordinary general meetings

51.1 All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

52 Convening of extraordinary general meeting

52.1 The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director, or any member of the Company, may call a general meeting.

53 Notice of general meetings

53.1 An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

53.2 Subject to the provisions of the Act, and notwithstanding that it is convened by shorter notice than that specified in this Article 53, a general meeting shall be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

53.3 The notice shall specify:

(a) whether the meeting is an annual general meeting or an extraordinary general meeting;

(b) the place, the day and the time of the meeting;

(c) in the case of special business, the general nature of that business;

(d) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such; and

(e) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

53.4 The notice shall be given to the members (other than any who, under the provisions of these Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the Auditors.

54 Omission to send notice

54.1 The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

55 Special business

55.1 All business that is transacted at a general meeting shall be deemed special, except the following transactions at an annual general meeting:

(a) the declaration of dividends;

(b) the receipt and consideration of the annual accounts and the reports of the Directors and the Auditors;

(c) the election or re-election of Directors;

(d) the fixing of the Directors' fees pursuant to Article 104;

(e) the re-appointment of the Auditors retiring (unless they were last appointed otherwise than by the Company in general meeting) and the fixing of the remuneration of the Auditors or the determination of the manner in which such remuneration is to be fixed.

PROCEEDINGS AT GENERAL MEETINGS

56 Quorum

56.1 No business (other than the appointment of a Chairman of the meeting) shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

57 If quorum not present

57.1 If within 15 minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, one person entitled to vote on the business to be transacted, being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

58 Chairman

58.1 The Chairman of the Board shall preside at every general meeting of the Company. If there be no such Chairman or if at any meeting he shall not be present within 15 minutes after the time appointed for holding the meeting, or shall be unwilling to act as Chairman, the Deputy Chairman (if any) of the Board shall if present and willing to act preside at such meeting. If no Chairman or Deputy Chairman shall be so present and willing to act, the Directors present shall choose one of their number to act or, if there be only one Director present, he shall be Chairman if willing to act. If there be no Director present and willing to act, the members present and entitled to vote shall choose one of their number to be Chairman of the meeting.

59 Director may attend and speak

59.1 A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.

60 Power to adjourn

60.1 The Chairman may, with the consent of a meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. However, without prejudice to any other power which he may have under these Articles or at common law, the Chairman may, without the need for the consent of the meeting, interrupt or adjourn any meeting from time to time and from place to place or for an indefinite period if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting, to give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.

61 Notice of adjourned meeting

61.1 Where a meeting is adjourned indefinitely, the Board shall fix the time and place for the adjourned meeting. Whenever a meeting is adjourned for 14 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting.

62 Business of adjourned meeting

62.1 No business shall be transacted at any adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

63 Accommodation of members and security at meeting

63.1 The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place therefor. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

(a) direct that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside ("the Principal Place"); and

(b) make arrangements for simultaneous attendance and participation at other places by members otherwise entitled to attend the general meeting but excluded therefrom under the provisions of this Article or who wish to attend at any of such other places, provided that persons attending at the Principal Place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the Principal Place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any such excluded members as aforesaid are able to attend at one of such other places. For the purposes of all other provisions of these Articles any such meeting shall be treated as being held and taking place at the Principal Place.

63.2 The Board may, if it considers necessary for the security of members and other persons attending any general meeting, require persons attending such general meeting to submit to such searches as the Board may determine in order to prevent any weapons, explosives or other dangerous instruments or substances from being carried into such general meeting. Any member or other person who refuses to submit to such searches may be refused entry to such general meeting.

VOTING

64 Method of voting

64.1 At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by:

(a) the Chairman of the meeting; or

(b) by at least five members present in person or by proxy and entitled to vote at the meeting; or

(c) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an

aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

65 Chairman's declaration conclusive on show of hands

65.1 Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of proceedings of the Company, shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

66 Objection to error in voting

66.1 No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same is of sufficient magnitude to vitiate the resolution or may otherwise have affected the decision of the meeting. The decision of the Chairman on such matters shall be final and conclusive.

67 Amendment to resolutions

67.1 If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the Chairman of the meeting, any error in such ruling shall not invalidate the proceedings on the substantive resolution. In the case of a resolution duly proposed as a special or extraordinary resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted on. In the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than a mere clerical amendment to correct a patent error or an amendment proposed or approved by the Board) may be considered or voted upon unless notice in writing of the amendment has been lodged at the Office at least 48 hours before the general meeting at which such resolution is to be considered.

68 Procedure on a poll

68.1 Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken forthwith. A poll duly demanded on any other matter shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman shall direct. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the

meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

68.2 The demand for a poll (other than on the election of a Chairman or any question of adjournment) shall not prevent the continuance of the meeting for the transaction of any business other than the question on which a poll has been demanded. If a poll is demanded before the declaration of the result on a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

68.3 The demand for a poll may, before the poll is taken, be withdrawn, but only with the consent of the Chairman. A demand so withdrawn shall validate the result of a show of hands declared before the demand was made.

68.4 On a poll votes may be given in person or by proxy. A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

69 Votes of members

69.1 Subject to the provisions of the Act, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to these Articles, at any general meeting every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.

69.2 If two or more persons are joint holders of a share, then in voting on any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the Register.

69.3 Where in England or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Board may in its absolute discretion, on or subject to production of such evidence of the appointment as the Board may require, permit such receiver or other person to vote in person or, on a poll, by proxy on behalf of such member at any general meeting. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be deposited at the Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised, and in default the right to vote shall not be exercisable.

70 **Casting vote**

70.1 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall be entitled to a second or casting vote in addition to any other vote that he may have.

71 **Restriction on voting rights for unpaid calls etc.**

71.1 No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him or to exercise any right as a member unless all calls or other sums presently payable by him in respect of that share in the Company have been paid to the Company.

72 **Voting by proxy**

72.1 Any person (whether a member of the Company or not) may be appointed to act as a proxy. Deposit of an instrument of proxy shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.

73 **Form of proxy**

73.1 An instrument appointing a proxy shall:

(a) be in writing in any common form or in such other form as the Board may approve, under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, under its common seal or under the hand of some officer or attorney duly authorised in that behalf;

(b) be deemed (subject to any contrary direction contained in the same) to confer authority to demand or join in demanding a poll and to vote on any resolution or amendment of a resolution put to the meeting for which it is given, as the proxy thinks fit, but shall not confer any further right to speak at the meeting, except with the permission of the Chairman (or as otherwise determined by the Board where the relevant shares are held by a Depositary);

(c) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates; and

(d) where it is stated to apply to more than one meeting, be valid for all such meetings as well as for any adjournment of any such meetings.

74 **Deposit of proxy**

74.1 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially or in some other way approved by the Board, shall:

(a) be deposited at the Office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting not less than 48 hours before the time of the holding of the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

(b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

(c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the Chairman of the meeting or to any Director;

and an instrument of proxy not deposited or delivered in a manner so permitted shall be invalid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.

75 **More than one proxy may be appointed**

75.1 A member may appoint more than one proxy to attend on the same occasion. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered, none of them shall be treated as valid in respect of that share.

76 **Board may supply proxy cards**

76.1 The Board may at the expense of the Company send, by post or otherwise, instruments of proxy (reply-paid or otherwise) to members for use at any general meeting or at any separate meeting of the holders of any class of shares, either in blank or nominating in the alternative any one or more of the Directors or any other persons. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the expense of the Company, such invitations shall, subject to

Article 54, be issued to all (and not some only) of the members entitled to be sent a notice of the meeting and to vote thereat by proxy.

77 Revocation of proxy

77.1 A vote given or poll demanded in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or the revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, unless notice in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office, or at such other place as has been appointed for the deposit of instruments of proxy, at least 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the instrument of proxy is used.

78 Corporate representative

78.1 A corporation (whether or not a company within the meaning of the Act) which is a member may, by resolution of its directors or other governing body, authorise such person (or if, but only if, such corporation is a Depositary voting in its capacity as such, persons) as it thinks fit to act as its representative (or, as the case may be, representatives) at any meeting of the Company or at any separate meeting of the holders of any class of shares. Any person so authorised shall be entitled to exercise the same powers on behalf of the corporation (in respect of that part of the corporation's holdings to which the authority relates) as the corporation could exercise if it were an individual member. 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; and all references to attendance and voting in person shall be construed accordingly. A Director, the Secretary or some person authorised for the purpose by the Secretary may require the representative to produce a certified copy of the resolution so authorising him before permitting him to exercise his powers.

79 Failure to disclose interests in shares

79.1 If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares ("the default shares") to give the Company the information thereby required within the prescribed period from the date of the notice, the following sanctions shall apply unless the Board otherwise determines:

(a) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of

shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the default shares represent at least 0.25 per cent. of their class:

(i) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect, pursuant to Article 151, to receive shares instead of that dividend; and

(ii) no transfer, other than an excepted transfer, of any shares held by the member shall be registered unless:

(A) the member is not himself in default as regards supplying the information required; and

(B) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

79.2 Where the sanctions under Article 79.1 apply in relation to any shares, they shall cease to have effect (and any dividends withheld under Article 79.1(b) shall become payable):

(a) if the shares are transferred by means of an excepted transfer; or

(b) at the end of the period of one week (or such shorter period as the Board may determine) following receipt by the Company of the information required by the notice mentioned in that paragraph and the Board being fully satisfied that such information is full and complete.

79.3 Where, on the basis of information obtained from a member in respect of any share held by him, the Company issues a notice pursuant to section 212 of the Act to any other person, it shall at the same time send a copy of the notice to the member, but the accidental omission to do so, or the non-receipt by the member of the copy, shall not invalidate or otherwise affect the application of Article 79.1.

79.4 Where default shares in which a person appears to be interested are held by a Depositary, the provisions of this Article 79 shall be treated as applying only to those shares held by the Depositary in which such person appears to be interested and not (insofar as such person's apparent interest is concerned) to any other shares held by the Depositary.

79.5 Where the member on which a notice under section 212 of the Act is served is a Depositary acting in its capacity as such, the obligations of the Depositary as a member of the Company shall be limited to disclosing to the Company such

information relating to any person appearing to be interested in the shares held by it as has been recorded by it pursuant to the arrangements entered into by the Company or approved by the Board pursuant to which it was appointed as a Depositary.

79.6 For the purposes of this Article 79:

(a) a person, other than the member holding a share, shall be treated as appearing to be interested in that share if the member has informed the Company that the person is, or may be, so interested, or if the Company (after taking account of any information obtained from the member or, pursuant to a notice under section 212 of the Act, from anyone else) knows or has reasonable cause to believe that the person is, or may be, so interested;

(b) "interested" shall be construed as it is for the purpose of section 212 of the Act;

(c) reference to a person having failed to give the Company the information required by a notice, or being in default as regards supplying such information, includes reference:

(i) to his having failed or refused to give all or any part of it; and

(ii) to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular;

(d) the "prescribed period" means:

(i) in a case where the default shares represent at least 0.25 per cent. of their class, 14 days; and

(ii) in any other case, 28 days;

(e) an "excepted transfer" means, in relation to any shares held by a member:

(i) a transfer by way of or pursuant to acceptance of a takeover offer for the Company (within the meaning of section 14 of the Company Securities (Insider Dealing) Act 1985); or

(ii) a transfer in consequence of a sale made through a recognised investment exchange (as defined in the Financial Services Act 1986) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded; or

(iii) a transfer which is shown to the satisfaction of the Board to be made in consequence of a sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.

79.7 Nothing contained in this Article 79 shall be taken to limit the powers of the Company under section 216 of the Act.

UNTRACED MEMBERS

80 **Power of sale**

80.1 The Company shall be entitled to sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if and provided that:

(a) during the period of 12 years prior to the date of the publication of the advertisements referred to in sub-paragraph (b) below (or, if published on different dates, the earlier or earliest thereof) no cheque, order or warrant in respect of such share sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share, at his address on the Register or other last known address given by the member or person to which cheques, orders or warrants in respect of such share are to be sent has been cashed and the Company has received no communications in respect of such share from such member or person, provided that during such period of 12 years the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed by the person entitled to it;

(b) on expiry of the said period of 12 years the Company has given notice of its intention to sell such share by advertisements in two newspapers of which one shall be a national daily newspaper published in the United Kingdom and the other shall be a newspaper circulating in the area of the address on the Register or other last known address of the member or the person entitled by transmission to the share;

(c) the said advertisements, if not published on the same day, shall have been published within 30 days of each other;

(d) during the further period of three months following the date of publication of the said advertisements (or, if published on different dates, the later or latest thereof) and prior to the exercise of the power of sale the Company has not received any communication in respect of such share from the member or person entitled by transmission; and

(e) the Company has given notice to the London Stock Exchange of its intention to make such sale, if shares of the class concerned are listed or dealt in on that exchange.

80.2 To give effect to any sale of shares pursuant to this Article the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the Register notwithstanding the absence of any share certificate being lodged in respect thereof and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

80.3 If during the period of 12 years referred to in Article 80.1, or during any period ending on the date when all the requirements of paragraphs (a) to (d) of Article 80.1 have been satisfied, any additional shares have been issued in respect of those held at the beginning of, or previously so issued during, any such period and all the requirements of paragraphs (b) to (d) of Article 80.1 have been satisfied in regard to such additional shares, the Company shall also be entitled to sell the additional shares.

81 Application of proceeds of sale

81.1 The Company shall account to the member or other person entitled to such share for the net proceeds of such sale by carrying all moneys in respect thereof to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such moneys. Moneys carried to such separate account may either be employed in the business of the Company or invested in such investments as the Board may from time to time think fit. No interest shall be payable to such member or other person in respect of such moneys and the Company shall not be required to account for any money earned on them.

PRESIDENT

82 Appointment of President

82.1 The Board may appoint any person who has been a Director and who in the opinion of the Board has rendered outstanding services to the Company to be President and may determine the period for which he is to hold office. Any such appointment may be made on such terms as to remuneration and otherwise as the Board may think fit and may be terminated by the Board.

83 **Duties of President**

83.1 It shall be the duty of the President to advise the Board on such matters as he or it may deem to be of interest to the Company. The President shall not by virtue of his office as such have any powers or duties in relation to the management of the business of the Company and shall not by virtue of his office as such be a Director.

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

84 **Number of Directors**

84.1 Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be not more than 10 or less than two.

85 **Power of Company to appoint Directors**

85.1 Subject to the provisions of these Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with these Articles.

86 **Power of Board to appoint Directors**

86.1 Without prejudice to the power of the Company to appoint any person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with these Articles. Any Director so appointed shall retire at the annual general meeting of the Company next following such appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

87 **Appointment of executive Directors**

87.1 Subject to the provisions of the Act, the Board may from time to time appoint one or more of its body to hold any employment or executive office (including that of Managing Director) for such term (subject to the provisions of the Act) and subject to such other conditions as the Board thinks fit in accordance with Article 111. The Board may revoke or terminate any such appointment without prejudice to any claim for damages for breach of contract between the Director and the Company.

88 Eligibility of new Directors

88.1 No person, other than a Director retiring (by rotation or otherwise), shall be appointed or re-appointed a Director at any general meeting unless:

(a) he is recommended by the Board; or

(b) not less than seven nor more than 35 clear days before the date appointed for the meeting, notice duly executed by a member (other than the person to be proposed) qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment or re-appointment, stating the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors, together with notice executed by that person of his willingness to be appointed or re-appointed, is lodged at the Office.

89 Share qualification

89.1 A Director shall not be required to hold any shares of the Company.

90 Resolution for appointment

90.1 A resolution for the appointment of two or more persons as Directors by a single resolution shall be void unless an ordinary resolution that it shall be so proposed has first been agreed to by the meeting without any vote being given against it.

91 Retirement by rotation

91.1 At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office.

92 Directors subject to retirement by rotation

92.1 Subject to the provisions of the Act and of these Articles, the Directors to retire by rotation at each annual general meeting shall exclude any Director who is for the time being the Chairman of the Board or the Managing Director or Chief Executive of the Company and shall include, so far as necessary to obtain the number required, first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date

of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting.

93 Position of retiring Director

93.1 A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-appointed. If he is not re-appointed or deemed to have been re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

94 Deemed re-appointment

94.1 At any general meeting at which a Director retires by rotation the Company may fill the vacancy and, if it does not do so, the retiring Director shall, if willing, be deemed to have been re-appointed unless it is expressly resolved not to fill the vacancy or a resolution for the re-appointment of the Director is put to the meeting and lost.

95 No retirement on account of age

95.1 No person shall be or become incapable of being appointed a Director by reason of his having attained the age of 70 or any other age, nor shall any special notice be required in connection with the appointment or the approval of the appointment of such person. No Director shall vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age; and section 293 of the Act shall not apply to the Company. Where any general meeting of the Company is convened at which, to the knowledge of the Board, a Director will be proposed for appointment or re-appointment who will at the date of the meeting be 70 or more, the Board shall give notice of his age in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so shall not invalidate any proceedings or any appointment or re-appointment of that Director at that meeting.

96 Removal by ordinary resolution

96.1 The Company may by ordinary resolution remove any Director before the expiration of his period of office in accordance with the Act, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, and may (subject to these Articles) by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

97 Vacation of office by Director

97.1 Without prejudice to the provisions for retirement (by rotation or otherwise) contained in these Articles, the office of a Director shall be vacated if:

(a) he resigns by notice in writing delivered to the Secretary at the Office or tendered at a Board meeting;

(b) he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to these Articles or becomes prohibited by law from being a Director;

(c) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

(d) an order is made by any court of competent jurisdiction on the ground (howsoever formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his affairs or he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, under the Mental Health (Scotland) Act 1984 and the Board resolves that his office be vacated; or

(e) both he and his alternate Director appointed pursuant to the provisions of these Articles (if any) are absent without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or

(f) he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and signed by all the other Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company).

98 Resolution as to vacancy conclusive

98.1 A resolution of the Board declaring a Director to have vacated office under the terms of Article 97 shall be conclusive as to the fact and grounds of vacation stated in the resolution.

ALTERNATE DIRECTORS

99 Appointments

99.1 Each Director (other than an alternate Director) may, by notice in writing delivered to the Secretary at the Office, or in any other manner approved by the

Board, appoint any other Director or any person approved for that purpose by the Board and willing to act, to be his alternate.

99.2 No appointment of an alternate Director shall be effective until his consent to act as a Director in the form prescribed by the Act has been received at the Office.

99.3 An alternate Director need not hold a share qualification and shall not be counted in reckoning any maximum number of Directors allowed by these Articles.

100 Participation in Board meetings

100.1 Every alternate Director shall (subject to his giving to the Company an address within the United Kingdom at which notices may be served on him) be entitled to receive notice of all meetings of the Board and all committees of the Board of which his appointor is a member and, in the absence from such meetings of his appointor, to attend and vote at such meetings and to exercise all the powers, rights, duties and authorities of his appointor. A Director acting as alternate Director shall have a separate vote at Board meetings for each Director for whom he acts as alternate Director, but he shall count as only one for the purpose of determining whether a quorum is present.

101 Alternate Director responsible for own acts

101.1 Every person acting as an alternate Director shall be an officer of the Company, shall alone be responsible to the Company for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

102 Interests of alternate Director

102.1 An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director. However, he shall not be entitled to receive from the Company any fees for his services as alternate, except only such part (if any) of the fee payable to his appointor as such appointor may by notice in writing to the Company direct. Subject to this Article, the Company shall pay to an alternate Director such expenses as might properly have been paid to him if he had been a Director.

103 Revocation of appointment

103.1 An alternate Director shall cease to be an alternate Director:

(a) if his appointor revokes his appointment; or

(b) if his appointor ceases for any reason to be a Director, provided that if any Director retires but is re-appointed or deemed to be re-appointed at the same meeting, any valid appointment of an alternate Director which was in force immediately before his retirement shall remain in force; or

(c) if any event happens in relation to him which, if he were a Director otherwise appointed, would cause him to vacate office.

DIRECTORS' REMUNERATION, EXPENSES AND PENSIONS

104 Directors' fees

104.1 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.

105 Expenses

105.1 Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

106 Additional remuneration

106.1 If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

107 Remuneration of executive Directors

107.1 The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the provisions of these Articles may be either a fixed sum of money, or may altogether or in part be governed by

business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to these Articles.

108 Pensions and other benefits

108.1 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit, any person who is or has at any time been a Director of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or associated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Act, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the aforesaid matters. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under this Article and shall not be obliged to account for it to the Company.

POWERS AND DUTIES OF THE BOARD

109 Powers of the Board

109.1 Subject to the provisions of the Act, the Memorandum of Association of the Company and these Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not. No alteration of the Memorandum of Association or of these Articles and no such direction given by the Company shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. Provisions contained elsewhere in these Articles as to any specific power of the Board shall not be deemed to limit the general powers given by this Article.

110 Powers of Directors being less than minimum number

110.1 If the number of Directors is less than the minimum for the time being prescribed by these Articles, the remaining Director or Directors shall act only

for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there are no Director or Directors able or willing to act, any two members may summon a general meeting for the purpose of appointing Directors. Subject to the provisions of these Articles, any additional Director so appointed shall hold office only until the dissolution of the annual general meeting of the Company next following such appointment unless he is re-elected during such meeting.

111 Powers of executive Directors

111.1 The Board may from time to time:

(a) delegate or entrust to and confer on any Director holding executive office (including a Managing Director) such of its powers, authorities and discretions (with power to sub-delegate) for such time, on such terms and subject to such conditions as it thinks fit; and

(b) revoke, withdraw, alter or vary all or any of such powers.

112 Delegation to committees

112.1 The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more Directors and (if thought fit) one or more other persons, provided that:

(a) a majority of the members of a committee shall be Directors ; and

(b) no resolution of a committee shall be effective unless a majority of those present when it is passed are Directors or alternate Directors.

112.2 The Board may confer such powers either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Board in that respect and may from time to time revoke, withdraw, alter or vary any of such powers and discharge any such committee in whole or in part. Insofar as any power, authority or discretion is so delegated, any reference in these Articles to the exercise by the Board of such power, authority or discretion shall be construed as if it were a reference to the exercise of such power, authority or discretion by such committee.

112.3 Subject to Article 112.1 above, a committee may at its discretion co-opt additional persons to serve on the committee upon such terms and for such duration as the committee shall determine.

113 Local management

113.1 The Board may establish any local or divisional boards or agencies for managing any of the affairs of the Company in any specified locality, either in the United Kingdom or elsewhere, and may appoint any persons to be members of any such local or divisional board, or any managers or agents, and may fix their remuneration. The Board may delegate to any local or divisional board, manager or agent so appointed any of its powers, authorities and discretions (with power to sub-delegate) and may authorise the members for the time being of any such local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies; and any such appointment or delegation may be made for such time, on such terms and subject to such conditions as the Board may think fit. The Board may confer such powers either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Board in that respect and may from time to time revoke, withdraw, alter or vary all or any of such powers. Subject to any terms and conditions expressly imposed by the Board, the proceedings of any local or divisional board or agency with two or more members shall be governed by such of these Articles as regulate the proceedings of the Board, so far as they are capable of applying.

114 Power of attorney

114.1 The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent of the Company and may delegate to any such person or persons any of its powers, authorities and discretions (with power to sub-delegate), in each case for such purposes and for such time, on such terms (including as to remuneration) and subject to such conditions as it thinks fit. The Board may confer such powers either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Board in that respect and may from time to time revoke, withdraw, alter or vary any of such powers.

115 Associate directors

115.1 The Board may appoint any person (not being a Director) to any office or employment having a designation or title including the word "director" or attach to any existing office or employment with the Company such designation or title and may terminate any such appointment or the use of such designation or title. The inclusion of the word "director" in the designation or title of any such office or employment shall not imply that such person is, or is deemed to be, or is empowered in any respect to act as, a director for any of the purposes of the Act or these Articles.

116 Exercise of voting power

116.1 The Board may exercise or cause to be exercised the voting power conferred by the shares in any other company held or owned by the Company, or any power of appointment to be exercised by the Company, in such manner in all respects as it thinks fit (including the exercise of the voting power or power of

appointment in favour of the appointment of any Director as a director or other officer or employee of such company or in favour of the payment of remuneration to the directors, officers or employees of such company).

117 Provision for employees

117.1 The Board may exercise any power conferred on the Company by the Act to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

118 Overseas registers

118.1 Subject to the provisions of the Act, the Board may exercise the powers conferred on the Company with regard to the keeping of an overseas branch register and may make and vary such regulations as it thinks fit respecting the keeping of any such register.

119 Borrowing powers

119.1 Subject as provided in this Article 119, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

119.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure (as regards its subsidiaries in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group (exclusive of moneys borrowed by one Group company from another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves.

119.3 For the purposes only of this Article 119:

(a) "the Adjusted Capital and Reserves" means a sum equal to the aggregate from time to time of:

(i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company; and

(ii) the amount standing to the credit of the reserves, whether or not distributable (including, without limitation, any revaluation

reserve, merger reserve, share premium account or capital redemption reserve), after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account;

all as shown in the relevant balance sheet, but after:

(iii) making such adjustments as may be appropriate to reflect:

(A) any variation in the amount of the paid up share capital, the share premium account or the capital redemption reserve since the date of the relevant balance sheet and so that for the purpose of making such adjustments, if any proposed allotment of shares by the Company for cash has been underwritten, then such shares shall be deemed to have been allotted and the amount (including the premium) of the subscription monies payable in respect thereof (not being monies payable later than six months after the date of allotment) shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, the date on which it became unconditional);

(B) any variation since the date of the relevant balance sheet of the companies comprising the Group;

(iv) excluding (so far as not already excluded):

(A) amounts attributable to the proportion of the issued equity share capital of any subsidiary which is not attributable, directly or indirectly, to the Company;

(B) any sum set aside for taxation (other than deferred taxation);

(v) deducting:

(A) sums equivalent to the book values of goodwill and other intangible assets shown in the relevant balance sheet; and

(B) the amount of any distribution declared, recommended or made by any Group company to a person other than a Group company out of profits accrued up to and including the date of (and not provided for in) the relevant balance sheet;

(b) "cash deposited" means an amount equal to the aggregate of the amounts beneficially owned by Group companies which are deposited for the time being with any bank or other person (not being a Group company) and which are repayable to any Group company on demand or within three months of such demand, subject, in the case of amounts deposited by a partly-owned subsidiary, to the exclusion of a proportion thereof equal to the proportion of its issued equity share capital which is not attributable, directly or indirectly, to the Company;

(c) "Group" means the Company and its subsidiary undertakings from time to time;

(d) "Group company" means any company in the Group;

(e) "moneys borrowed" include not only moneys borrowed but also the following except in so far as otherwise taken into account:

(i) the nominal amount of any issued share capital and the principal amount of any debenture or borrowings of any person, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured on the assets of a Group company;

(ii) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house (not being a Group company) other than acceptances and acceptance credits relating to the purchase of goods or services in the ordinary course of trading and outstanding for six months or less;

(iii) the principal amount of any debenture (whether secured or unsecured) of any Group company owned otherwise than by a Group company;

(iv) the principal amount of any preference share capital of any subsidiary owned otherwise than by a Group company;

(v) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (but any premium payable on final repayment of an amount not to be taken into account as moneys borrowed shall not be taken into account); and

(vi) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used

in the preparation of the relevant balance sheet (and for the purpose of this sub-paragraph (vi) "finance lease" means a contract between a lessor and a Group company as lessee or sub-lessee where substantially all the risks and rewards of the ownership of the asset leased or sub-leased are to be borne by that company and "hire-purchase agreement" means a contract of hire-purchase between a hire-purchase lender and a Group company as hirer);

but do not include:

(vii) moneys borrowed by any Group company for the purpose of repaying, within six months of being first borrowed, the whole or any part of any moneys borrowed and then outstanding (including any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;

(viii) moneys borrowed by any Group company for the purpose of financing any contract in respect of which any part of the price receivable under the contract by that or any other Group company is guaranteed or insured up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;

(ix) an amount equal to the moneys borrowed of any company outstanding immediately after it becomes a Group company, provided that it became a Group company during the six months preceding the calculation;

(x) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company, provided that it was acquired during the six months preceding the calculation;

(xi) notwithstanding sub-paragraph (i) to (vi) above, the proportion of moneys borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable, directly or indirectly, to the Company;

(f) "relevant balance sheet" means the latest published audited consolidated balance sheet of the Group but, where the Company has no subsidiary undertakings, it means the balance sheet and profit and loss account of the Company and, where the Company has subsidiary undertakings but there are no consolidated accounts of the Group, it means the respective balance sheets and profit and loss accounts of the companies comprising the Group;

(g) "subsidiary undertaking" means a subsidiary undertaking (within the meaning of the Act) of the Company (except a subsidiary undertaking which is excluded from consolidation by virtue of the provisions of Section 229 of the Act); and "Group" and "Group company" and references to any company which becomes a Group company or to companies comprising the Group shall, in such a case, be construed so as to include subsidiary undertakings except a subsidiary undertaking which is excluded from consolidation as aforesaid and "equity share capital" shall be construed in relation to a subsidiary undertaking without a share capital in the same manner as "shares" are defined in relation to an undertaking without a share capital under Section 259(2)(b) and (c) of the Act.

119.4 When the aggregate amount of moneys borrowed required to be taken into account for the purposes of this Article 119 on any particular day is being ascertained, any of such moneys denominated or repayable in a currency other than sterling shall be converted for the purpose of calculating the sterling equivalent either:

(a) at the rate of exchange used for the conversion of that currency in the relevant balance sheet; or

(b) if no rate was so used, at the middle market rate of exchange prevailing at the close of business in London on the date of that balance sheet; or

(c) where the repayment of such moneys is expressly covered by a forward purchase contract, currency option, back-to-back loan, swap or other arrangements taken out and entered into to reduce the risk associated with fluctuations in exchange rates, at the rate of exchange specified in that document;

but if the amount in sterling resulting from conversion at that rate would be greater than that resulting from conversion at the middle market rate prevailing in London at the close of business on the business day immediately preceding the day on which the calculation falls to be made, the latter rate shall apply instead.

119.5 A report or certificate of the Auditors as to the amount of the Adjusted Capital and Reserves or the amount of moneys borrowed falling to be taken into account for the purposes of this Article 119 or to the effect that the limit imposed by this Article 119 has not been or will not be exceeded at any particular time or times or as a result of any particular transaction or transactions shall be conclusive evidence of the amount or of that fact. Nevertheless, the Board may at any time act in reliance on a bona fide estimate of the amount of the Adjusted Capital and Reserves; and if in consequence the limit on borrowings set out in this Article is inadvertently exceeded, an amount borrowed equal to the excess may be disregarded until the expiration of 60 days after the date on which (by reason

of a determination of the Auditors or otherwise) the Board became aware that such a situation has or may have arisen.

119.6 No debt incurred or security given in respect of moneys borrowed in excess of the limit imposed by this Article 119 shall be invalid or ineffectual, except in the case of express notice to the lender or recipient of the security at the time when the debt was incurred or security given that the limit had been or would thereby by exceeded, but no lender or other person dealing with the Company shall be concerned to see or enquire whether such limit is observed.

PROCEEDINGS OF DIRECTORS AND COMMITTEES

120 Board meetings

120.1 Subject to the provisions of these Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit.

121 Notice of Board meetings

121.1 One Director may, and the Secretary at the request of a Director shall, summon a Board meeting at any time. A Director may waive the requirement that notice be given to him of any Board meeting, either prospectively or retrospectively. It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless he has requested the Board in writing that notices of Board meetings shall during his absence be given to him at any address in the United Kingdom notified to the Company for this purpose, but he shall not, in such event, be entitled to a longer period of notice than if he had been present in the United Kingdom at that address.

122 Quorum

122.1 The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be two persons, each being a Director or an alternate Director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions for the time being vested in or exercisable by the Board.

123 Chairman of Board

123.1 The Board may appoint one or more of its body Chairman or Joint Chairman and one or more of its body Deputy Chairman of its meetings and may determine the period for which he is or they are to hold office and may at any time remove him or them from office. If no such Chairman or Deputy Chairman is elected, or if at any meeting neither a Chairman nor a Deputy Chairman is present within five minutes of the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting. In the event of two or more Joint Chairmen or, in the absence

of a Chairman, two or more Deputy Chairmen being present, the Joint Chairman or Deputy Chairman to act as Chairman of the meeting shall be decided by those Directors present. Any Chairman or Deputy Chairman may also hold executive office under the Company.

124 Voting

124.1 Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall have a second or casting vote.

125 Participation by telephone

125.1 Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of conference telephone or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the Chairman of the meeting then is.

126 Resolution in writing

126.1 A resolution in writing executed by all the Directors for the time being entitled to receive notice of a Board meeting and not being less than a quorum, or by all the members of a committee of the Board for the time entitled to receive notice of such committee meeting and not being less than a quorum of that committee, shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board (or committee, as the case may be). Such a resolution:

(a) may consist of several documents in the same form each executed by one or more of the Directors or members of the relevant committee, including executions evidenced by means of facsimile transmission;

(b) need not be signed by an alternate Director if it is signed by the Director who appointed him;

(c) if signed by an alternate Director, need not also be signed by his appointor;

(d) to be effective, need not be signed by a Director who is prohibited by these Articles from voting thereon, or by his alternate.

127 Proceedings of committees

127.1 All committees of the Board shall, in the exercise of the powers delegated to them and in the transaction of business, conform to any mode of proceedings and regulations which the Board may prescribe and subject thereto shall be governed by such of these Articles as regulate the proceedings of the Board as are capable of applying.

128 Minutes of proceedings

128.1 The Board shall cause minutes to be made in books kept for the purpose of recording:

(a) all appointments of officers and committees made by the Board and of any such officer's salary or remuneration; and

(b) the names of Directors present at every meeting of the Board, of a committee of the Board, of the Company or of the holders of any class of shares or debentures of the Company, and all orders, resolutions and proceedings of such meetings.

128.2 Any such minutes, if purporting to be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in such minutes without any further proof.

129 Validity of proceedings

129.1 All acts done by a meeting of the Board, or of a committee of the Board, or by any person acting as a Director, alternate Director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any person or persons acting as aforesaid, or that they or any of them were or was disqualified from holding office or not entitled to vote, or had in any way vacated their or his office, be as valid as if every such person had been duly appointed, and was duly qualified and had continued to be a Director, alternate Director or member.

DIRECTORS' INTERESTS

130 Director may have interests

130.1 Subject to the provisions of the Act and provided that Article 131 is complied with, a Director, notwithstanding his office:

(a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;

(b) may hold any other office or place of profit under the Company (except that of Auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;

(c) may be a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal;

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

131 Disclosure of interests to Board

131.1 A Director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

131.2 For the purposes of this Article:

(a) a general notice given to the Board by a Director that he is to be regarded as having an interest (of the nature and extent specified in the notice) in any contract, transaction, arrangement or proposal in which a specified person or class of persons is interested shall be deemed to be a sufficient disclosure under this Article in relation to such contract, transaction, arrangement or proposal; and

(b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

132 Interested Director not to vote or count for quorum

132.1 Save as provided in this Article, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the

Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he is to his knowledge materially interested unless the resolution concerns any of the following matters:

(a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(c) the subscription or purchase by him of any shares, debentures or other securities of the Company or any of its subsidiaries pursuant to any offer or invitation or the underwriting or sub- underwriting by him of any such shares, debentures or other securities or any other contract, arrangement, transaction or proposal in which he may be interested by virtue of his interest in shares, debentures or other securities of the Company or any of its subsidiaries or otherwise in or through the Company;

(d) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company (including any subsidiary of the Company) (a "relevant company") in which he is interested, directly or indirectly (and whether as an officer or shareholder, creditor or otherwise) provided that he is not directly or indirectly the holder of or beneficially interested in one per cent. or more of either a relevant company or an intermediate company (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances); for the purposes of this paragraph (d):

(i) an intermediate company means a company having an interest in a relevant company which would be material if held by a Director;

(ii) a Director shall be deemed to have an interest in one per cent. or more of a relevant company or an intermediate company if directly or indirectly he is the holder of or beneficially interested in one per cent. or more of any class of equity share capital or of the voting rights available to members of either such company; and

(iii) there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or is in remainder (if and so long as some other

person is entitled to receive the income from the trust) and any shares comprised in any authorised unit trust scheme in which the Director is interested only as a unit holder;

(e) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension fund, retirement, death or disability benefits scheme or personal pension plan under which he may benefit and which either:

(i) has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes; or

(ii) relates to both employees and Directors of the Company (or any of its subsidiaries) and does not accord to any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;

(f) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom it relates; and

(g) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy pursuant to Article 169.

133 Director's interest in own appointment

133.1 A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

134 Chairman's ruling conclusive on Director's interest

134.1 If any question arises at any meeting as to the materiality of a Director's interest (other than the Chairman's interest) or as to the entitlement of any Director (other than the Chairman) to vote or be counted in a quorum, and such question

is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the Chairman of the meeting. The Chairman's ruling in relation to the Director concerned shall be final and conclusive.

135 Directors' resolution conclusive on Chairman's interest

135.1 If any question arises at any meeting as to the materiality of the Chairman's interest or as to the entitlement of the Chairman to vote or be counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the Directors or committee members present at the meeting (excluding the Chairman), whose majority vote shall be final and conclusive.

136 Company may suspend or relax provisions

136.1 Subject to the provisions of the Act, the Company may by ordinary resolution suspend or relax the provisions of Articles 130 to 135, either generally or in respect of any particular matter, or ratify any transaction not duly authorised by reason of a contravention of these Articles.

137 Definitions

137.1 For the purposes of Articles 130 to 137:

(a) an interest of a person who is for the purposes of the Act connected (which word shall have the meaning given to it by section 346 of the Act) with a Director shall be treated as an interest of the Director; and

(b) in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director in addition to any interest which the alternate Director otherwise has.

THE SEAL

138 Application of Seal

138.1 The Seal shall be used only by the authority of a resolution of the Board or of a committee of the Board so authorised. The Board may determine whether any instrument to which the Seal is affixed shall be signed and, if it is to be signed, who shall sign it. Unless otherwise so determined:

(a) share certificates and, subject to the provisions of any instrument constituting the same, certificates issued under the Seal in respect of any debentures or other securities need not be signed and any signature may be affixed to or printed on any such certificate by any means approved by the Board; and

(b) every other instrument to which the Seal is affixed shall be signed by one Director and by the Secretary or by two Directors.

138.2 Every certificate or share warrant shall be issued under the Seal or in such other manner as the Board, having regard to the terms of issue, the Act and the regulations of the London Stock Exchange, may authorise; all references in these Articles to the Seal shall be construed accordingly.

139 Deed without sealing

139.1 A document signed by a Director and by the Secretary or by two Directors and expressed (in whatever form of words) to be executed by the Company as a deed shall have the same effect as if it were executed under the Seal, provided that no instrument shall be so signed which makes it clear on its face that it is intended by the person or persons making it to have effect as a deed without the authority of a resolution of the Board or of a committee of the Board authorised in that behalf. An instrument or document which is executed by the Company as a deed shall not be deemed to be delivered by the Company solely as a result of it having been executed by the Company.

140 Official seal for use abroad

140.1 Subject to the provisions of the Act, the Company may have an official seal for use in any place abroad.

THE SECRETARY

141 The Secretary

141.1 Subject to the provisions of the Act, the Board shall appoint a Secretary or Joint Secretaries and shall have power to appoint one or more persons to be an Assistant or Deputy Secretary at such remuneration and on such terms and conditions as it thinks fit.

141.2 No person shall be appointed to hold office as Secretary who is:

(a) the sole Director of the Company; or

(b) a corporation the sole director of which is the sole Director of the Company; or

(c) the sole director of a corporation which is the sole Director of the Company.

141.3 Any provision of the Act or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

DIVIDENDS AND OTHER PAYMENTS

142 Declaration of dividends

142.1 Subject to the provisions of the Act and of these Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

143 Interim dividends

143.1 Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrear. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

144 Entitlement to dividends

144.1 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

145 Calls or debts may be deducted from dividends

145.1 The Board may deduct from any dividend or other money payable to any person on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

146 Distribution in specie

146.1 The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any

difficulty arises in regard to such distribution, the Board may settle it as it thinks fit. In particular, the Board may:

(a) issue fractional certificates (or ignore fractions);

(b) fix the value for distribution of such assets or any part thereof and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and

(c) vest any such assets in trustees on trust for the persons entitled to the dividend.

147 Dividends not to bear interest

147.1 Unless otherwise provided by the rights attached to the share, no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

148 Method of payment

148.1 The Company may pay any dividend, interest or other sum payable in respect of a share in cash or by direct debit, bank transfer, cheque, dividend warrant, or money order and may send the same by post or other delivery service to the registered address (or in the case of a Depositary, subject to the approval of the Board, such persons and addresses) of the member or person entitled to it (or, if two or more persons are holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the member or otherwise by operation of law, to the registered address of such of those persons as is first named in the Register) or to such person and such address as such member or person or persons may direct in writing. Every cheque, warrant or order is sent at the risk of the person entitled to the money represented by it and shall be made payable to the order of the person or persons entitled, or to such other person as the person or persons entitled may direct in writing. Payment of the cheque, warrant or order shall be a good discharge to the Company. If any such cheque, warrant or order has or shall be alleged to have been lost, stolen or destroyed, the Board may, at the request of the person entitled thereto, issue a replacement cheque or warrant or order, subject to compliance with such conditions as to evidence and indemnity and the payment of out of pocket expenses of the Company in connection with the request as the Board may think fit. Any joint holder or other person jointly entitled to a share may give an effective receipt for any dividend or other moneys payable in respect of such share. Any such dividend, interest or other sum may also be paid by any other method as the Board considers appropriate.

148.2 The Board may, at its discretion, make provisions to enable such Depositary and/or member as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than sterling. For the

purposes of the calculation of the amount receivable in respect of any dividend, the rate of exchange to be used to determine the foreign currency equivalent of any sum payable as a dividend shall be such market rate selected by the Board as it shall consider appropriate ruling at the close of business in London on the date which is the business day last preceding:

(a) in the case of a dividend to be declared by the Company in general meeting, the date on which the Board publicly announces its intention to recommend that specific dividend; and

(b) in the case of any other dividend, the date on which the Board publicly announces its intention to pay that specific dividend,

Provided that where the Board considers the circumstances to be appropriate it shall determine such foreign currency equivalent by reference to such market rate or rates or the mean of such market rates prevailing at such time or times or on such other date or dates, in each case falling before the time of the relevant announcement, as the Board may select.

149 Uncashed dividends

149.1 If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto are returned to the Company or left uncashed on two consecutive occasions, the Company shall not be obliged to send any dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

150 Unclaimed dividends

150.1 All dividends, interest, or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

151 Payment of scrip dividends

151.1 The Board may, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution. The following provisions shall apply:

(a) the said resolution may specify a particular dividend, or may specify all or any dividends declared within a specified period or periods;

(b) the entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder would have received by way of dividend. For this purpose "relevant value" shall be calculated by reference to the average of the middle market quotations for the Ordinary Shares on the London Stock Exchange, as derived from the Daily Official List, for the day on which the Ordinary Shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as the Board may determine on such basis as it considers to be fair and reasonable. A certificate or report by the Auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount;

(c) no fractions of a share shall be allotted;

(d) the Board shall, after determining the basis of allotment, notify the holders of Ordinary Shares in writing of the right of election offered to them, and specify the procedure to be followed and place at which, and the latest time by which, elections must be lodged in order to be effective;

(e) the Board may exclude from any offer any holders of Ordinary Shares or any Ordinary Shares held by a Depositary or any Ordinary Shares on which dividends are payable in foreign currency where the Board considers that the making of the offer to them or in respect of such shares would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them or in respect of such shares;

(f) the Board may determine that every duly effected election in respect of any Ordinary Shares shall be binding on every successor in title to the holder thereof;

(g) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on Ordinary Shares in respect of which an election has been duly made ("the elected Ordinary Shares") and instead additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined as aforesaid. For such purpose the Board may capitalise, out of any amount for the time being standing to the credit of any reserve or fund (including any share premium account or capital redemption reserve) or of any of the profits which could otherwise have been applied in paying dividends in cash as the Board may determine, a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to the holders of the elected Ordinary Shares on that basis. A Board resolution

capitalising any part of such reserve or fund or profits shall have the same effect as if such capitalisation had been declared by ordinary resolution of the Company in accordance with Article 153 and in relation to any such capitalisation the Board may exercise all the powers conferred on them by Article 153 without need of such ordinary resolution;

(h) the additional Ordinary Shares so allotted shall rank pari passu in all respects with each other and with the fully paid Ordinary Shares in issue on the record date for the dividend in respect of which the right of election has been offered, except that they will not rank for any dividend or other distribution or other entitlement which has been declared, paid or made by reference to such record date; and

(i) the Board may terminate, suspend or amend any offer of the right to elect to receive Ordinary Shares in lieu of any cash dividend at any time.

152 Reserves

152.1 The Board may, before recommending any dividend (whether preferential or otherwise) but having regard to section 842 of the Income and Corporation Taxes Act 1988, carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any other purpose to which the profits of the Company may properly be applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

153 Capitalisation of reserves

153.1 The Board may, with the authority of an ordinary resolution of the Company:

(a) subject as provided in this Article, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;

(b) appropriate the sum resolved to be capitalised to the holders of Ordinary Shares in proportion to the nominal amounts of the shares (whether or

not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as they may direct, in those proportions, or partly in one way and partly in the other, provided that:

(i) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to holders of Ordinary Shares credited as fully paid; and

(ii) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment thereof;

(c) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;

(d) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit thereof to the Company rather than to the holders of Ordinary Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions;

(e) authorise any person to enter on behalf of all the holders of Ordinary Shares concerned into an agreement with the Company providing for either:

(i) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled on such capitalisation; or

(ii) the payment up by the Company on behalf of such holders by the application thereto of their respective proportions of the reserves

or profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares

(any agreement made under such authority being effective and binding on all such holders); and

(f) generally do all acts and things required to give effect to such resolution.

154 Record dates

154.1 Notwithstanding any other provision of these Articles, but without prejudice to the rights attached to any shares, the Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue. Such record date may be on or at any time before any date on which such dividend, distribution, allotment or issue is paid or made and on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared.

ACCOUNTS

155 Accounting records

155.1 The Board shall cause accounting records to be kept in accordance with the Act.

156 Inspection of records

156.1 No member (other than a Director) shall have any right to inspect any accounting record or other document of the Company unless he is authorised to do so by statute, by order of the court, by the Board or by ordinary resolution of the Company.

157 Accounts to be sent to members

157.1 Except as provided in Article 158, a printed copy of the Directors' and Auditors' reports accompanied by printed copies of the annual accounts shall, not less than 21 clear days before the general meeting before which they are to be laid, be delivered or sent by post to every member and holder of debentures of the Company and to the Auditors and to every other person who is entitled to receive notice of general meetings. However, this Article shall not require a copy of those documents to be sent to any person who under the provisions of these Articles is not entitled to receive notices from the Company or of whose address the Company is unaware or to any holder of debentures of whose address the Company is unaware or to more than one of the joint holders of any shares or debentures. If all or any of the shares in or debentures of the Company are listed or dealt in on any stock exchange, there shall at the same time be forwarded to the secretary of that stock exchange such number of copies of each of those documents as the regulations of that stock exchange may require.

158 Summary financial statements

158.1 The Company may, in accordance with section 251 of the Act and any regulations made under it, send a summary financial statement to any member instead of or in addition to the documents referred to in Article 157. Where it does so, the statement shall be delivered or sent by post to the member not less than 21 clear days before the annual general meeting before which those documents are to be laid.

NOTICES

159 Notices to be in writing

159.1 Any notice to be given to or by any person pursuant to these Articles shall be in writing, except that a notice convening a Board meeting need not be in writing.

160 Service of notice on members

160.1 The Company may give any notice or document (including a share certificate) to a member, either personally or by sending it by post or other delivery service in a prepaid envelope addressed to the member at his registered address or by leaving it at that address. In the case of a member registered on an overseas branch register any such notice or document may be posted either in the United Kingdom or in the territory in which such branch register is maintained.

160.2 In the case of joint holders of a share, all notices or documents shall be given to the joint holder whose name stands first in the Register in respect of the joint holding. Notice so given shall be sufficient notice to all the joint holders.

160.3 Where a member (or, in the case of joint holders, the person first named in the Register) has a registered address outside the United Kingdom but has notified the Company of an address within the United Kingdom at which notices or other documents may be given to him, he shall be entitled to have notices given to him at that address; but otherwise no such member shall be entitled to receive any notice or document from the Company.

160.4 If on three consecutive occasions notices or other documents have been sent through the post to any member at his registered address or his address for the service of notices but have been returned undelivered, such member shall not thereafter be entitled to receive notices or other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address or address within the United Kingdom for the service of notices.

161 Notice in case of death, bankruptcy or mental disorder

161.1 The Company may give notice to the person entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law, by sending or delivering it in any manner authorised by these Articles for the giving of notice to a member, addressed to that person by name, or by the title of representative of the deceased or trustee of the bankrupt or representative by operation of law or by any like description, at the address (if any) within the United Kingdom supplied for the purpose by the person claiming to be so entitled. Until such an address has been so supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy or operation of law had not occurred.

162 Evidence of service

162.1 Any member present, in person or by proxy, at any meeting of the Company or of the holders of any class of shares of the Company shall be deemed to have received due notice of such meeting, and, where requisite, of the purposes for which such meeting was called.

162.2 Any notice, certificate or other document, addressed to a member at his registered address or address for service in the United Kingdom shall, if sent by post, be deemed to have been served or delivered on the day after the day when it was put in the post (or, where second-class mail is employed, on the second day after the day when it was put in the post). In proving such service or delivery it shall be sufficient to prove that the envelope containing the notice or document was properly addressed and put into the post as a prepaid letter. Any notice, certificate or other document not sent by post but delivered or left at a registered address or address for service in the United Kingdom shall be deemed to have been served or delivered on the day on which it was so delivered or left.

163 Notice binding on transferees

163.1 Every person who, by operation of law, transfers or by any other means becomes entitled to a share shall be bound by any notice in respect of that share (other than a notice given by the Company under section 212 of the Act) which, before his name is entered in the Register, has been duly given to a person from whom he derives his title.

164 Notice by advertisement

164.1 Any notice to be given by the Company to the members or any of them, and not otherwise provided for by these Articles, shall be sufficiently given if given by advertisement in at least one leading daily newspaper published in the United Kingdom and, where the Company keeps an overseas branch register, in at least one leading daily newspaper published in the territory in which such register is maintained. Any notice given by advertisement shall be deemed to have been served at noon on the day on which the advertisement first appears.

165 Suspension of postal services

165.1 If at any time by reason of the threat of or of the suspension, interruption or curtailment of postal services within the United Kingdom the Company is or would be unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least two leading daily newspapers (at least one of which shall be published in London) and, where the Company keeps an overseas branch register, in at least one leading daily newspaper published in the territory in which such register is maintained. Such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day on which the first of such advertisements appears. In any such case the Company shall send confirmatory copies of the notice by post if, at least seven days prior to the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable.

WINDING UP

166 Division of assets

166.1 If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

167 Transfer or sale under section 110 Insolvency Act 1986

167.1 A special resolution sanctioning a transfer or sale to another company duly passed pursuant to section 110 of the Insolvency Act 1986 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights, and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

INDEMNITY

168 Right to indemnity

168.1 Subject to the provisions of the Act, but without prejudice to any indemnity to which he may be otherwise entitled, every Director, alternate Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation thereto, including (without prejudice to the generality of the foregoing) any liability incurred defending any proceedings (whether civil or criminal) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour or in which he is acquitted or which are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which relief is granted to him by any court of competent jurisdiction from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

169 Power to insure

169.1 Subject to the provisions of the Act, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a Director or other officer or employee of the Company or of any other company which is a subsidiary or subsidiary undertaking of the Company or in which the Company has an interest whether direct or indirect or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such other company or subsidiary undertaking is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a Director, officer, employee or trustee.

KPMG Peat Marwick

Badgerline Holdings Limited

Balance Sheet

At 30 June 1993

2,029,363

KPMG Peat Marwick

Richmond Park House
15 Pembroke Road
Clifton
Bristol BS8 3BG

Auditors' statement to the directors of Badgerline Holdings Limited pursuant to Section 43(3)(b) of the Companies Act 1985

We have examined the balance sheet of Badgerline Holdings Limited ("the company") as at 30 June 1993 which was prepared in connection with the company's proposed re-registration as a public limited company and audited by us. The scope of our work for the purpose of this statement was limited to an examination of the relationship of the amounts referred to below as stated in that balance sheet.

In our opinion the balance sheet shows that at 30 June 1993 the amount of the company's net assets was not less than the aggregate of its called up share capital and undistributable reserves.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

8 November 1993

2,029,363.

KPMG Peat Marwick

Richmond Park House
15 Pembroke Road
Clifton
Bristol BS8 3BG

Report of the auditors to the directors of Badgerline Holdings Limited pursuant to Section 43(3)(c) of the Companies Act 1985

We have audited the balance sheet of Badgerline Holdings Limited ("the company") and related notes on pages 3 to 14 in accordance with Auditing Standards.

The balance sheet was prepared in connection with the company's proposed re-registration as a public limited company.

In our opinion the balance sheet gives a true and fair view of the state of affairs of the company as at 30 June 1993 and has been properly prepared in accordance with the provisions of the Companies Act 1985 which would have applied if the balance sheet had been prepared for a financial year of the company.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

8 November 1993

2,029,363.

Badgerline Holdings Limited

Balance Sheet

At 30 June 1993

	Note	30 June 1993 £000	£000	31 December 1992 £000	£000
Assets employed:					
Fixed assets					
Tangible assets	2		3,103		2,968
Investments	3		29,266		29,266
			32,369		32,234
Current assets					
Debtors	4	28,066		19,871	
Investments	5	1,465		1,115	
Cash at bank and in hand		679		4	
		30,210		20,990	
Creditors: amounts falling due within one year	6	(29,836)		(24,937)	
Net current assets/(liabilities)			374		(3,947)
Total assets less current liabilities			32,743		28,287
Financed by:					
Creditors: amounts falling due after more than one year	6		21,873		23,800
Provisions for liabilities and charges	7		(21)		(26)
Capital and reserves					
Called up share capital	8	1,320		1,320	
Share premium account	9	304		304	
Revaluation reserve	9	1,750		1,569	
Profit and loss account	9	7,517		1,320	
Shareholders' funds			10,891		4,513
			32,743		28,287

The balance sheet and the notes to the balance sheet were approved by the board of directors on 8 November 1993 and were signed on its behalf by:

T Smallwood

T Smallwood
Director

Badgerline Holdings Limited

Notes to the Balance Sheet

1 **Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's balance sheet.

Basis of accounting

The balance sheet has been prepared under the historical cost convention, modified to include the revaluation of land and buildings. It has been prepared in accordance with applicable accounting standards.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation of tangible fixed assets over their estimated useful economic lives as follows:

Freehold land and buildings	-	50 years straight line
Short leasehold properties	-	period of lease
Plant and equipment	-	3 to 5 years straight line

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred tax is made only to the extent that it is probable that an actual liability will crystallise.

Pension costs

Retirement benefits for most employees of the company are provided by defined benefit schemes, which are funded by contributions from the company and employees. The company's contributions are charged to the profit and loss account based on recommendations by independent actuaries, in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees.

Badgerline Holdings Limited

Notes to the Balance sheet *(continued)*

2 **Tangible fixed assets**

	Land and buildings	O[illegible] and e[illegible]pment	Total
	£000	£000	£000
Cost or valuation			
At 1 January 1993	3,156	500	3,656
Additions	-	29	29
Disposals	(95)	-	(95)
Adjust[illegible]nt on revaluation	(171)	-	(171)
At 30 June 1993	2,890	529	3,419
Depreciation			
At 1 January 1993	415	273	688
Charge for period	32	43	75
Disposals	(95)	-	(95)
Adjustment on revaluation	(352)	-	(352)
At 30 June 1993	-	316	316
Net book value			
At 30 June 1993	**2,890**	**213**	**3,103**
At 31 December 1992	2,741	227	2,968

The net book value of land and buildings comprises:

	30 June 1993	31 December 1992
	£000	£000
Freehold	**2,740**	2,566
Short leasehold	**150**	175
	2,890	2,741

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

2 **Tangible fixed assets** *(continued)*

The assets which have been revalued comprise the following land and buildings:

	30 June 1993 £000	31 December 1992 £000
At 1993 professional valuation	**2,890**	-
At 1987 professional valuation	-	2,600
Aggregate depreciation thereon	-	(260)
Net book value	**2,890**	2,340
Historical cost of revalued assets	**1,568**	1,107
Aggregate depreciation based on historical cost	**(215)**	(138)
Historical net book value	**1,353**	969

All of the properties were revalued by Chesterton, International Property Consultants, as at 30 June 1993. They were valued on the basis of open market value for existing use, except for one property which was valued on a specific basis relating to its circumstances.

No provision is made for tax of £0.203 m *(1992 : £0.341 m)* which would arise on the disposal of revalued properties at their valuation. It is not the intention to dispose of them without reinvestment of the sale proceeds.

The National Bus Company Limited holds a charge over one of the freehold properties. If the property is disposed of within ten years of its date of acquisition (September 1986), a proportion of the profits arising on the sale would be payable under the charge.

Included in the total net book value of tangible fixed assets is £0.075 m *(1992 : £0.084 m)* in respect of other plant and equipment acquired under finance leases and hire purchase contracts. Depreciation on these assets during the period was £0.009 m *(1992 : £0.004 m)*.

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

3 **Fixed asset investments**

	Unlisted subsidiary undertakings £000
Shares	
Cost	
At 1 January 1993 and 30 June 1993	29,462
Provisions	
At 1 January 1993 and 30 June 1993	196
Net book value	
At 30 June 1993	**29,266**
At 31 December 1992	29,266

The principal subsidiary undertakings, all of which are incorporated in Great Britain and registered in England and Wales, at the end of the period are:

Local bus and coach operators:
Badgerline Limited*
AE & FR Brewer Limited
Bristol Omnibus Company Limited*
Eastern National Limited*
Midland Red West Limited*
The South Wales Transport Company, Limited
Thamesway Limited
Wessex National Limited*
Western National Limited*

Retail outlets:
Badger Retail Limited

Bus and coach training services:
Skillplace Training Limited

Intermediate subsidiary undertakings:
Badgerline Buses Limited
Gurna Limited
Wessex of Bristol Limited
Western National Holdings Limited

Property developers:
Dolsett Estates Limited

All subsidiary undertakings are wholly owned at the end of the period with the exception of Skillplace Training Limited, where the percentage of shares held is 67%.

All shares held in subsidiary undertakings are ordinary shares.

All investments are direct investments of Badgerline Holdings Limited with the exception of certain subsidiary undertakings (marked with *) which are owned via intermediate subsidiary undertakings.

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

4 Debtors

	30 June 1993 £000	31 December 1992 £000
Amounts due within one year		
Amounts owed by subsidiary undertakings	14,811	15,045
Dividends receivable from subsidiary undertakings	12,745	4,400
Other debtors	195	116
Prepayments and accrued income	118	114
	27,869	19,675
Amounts due after more than one year		
Prepayments and accrued income	53	52
Advanced corporation tax recoverable	144	144
	28,066	19,871

5 Investments

	30 June 1993 £000	31 December 1992 £000
Medium term bank deposits	1,344	1,115
Unlisted	121	-
	1,465	1,115

The bank deposits have charges granted over them in favour of one of the company's bankers. They can only be withdrawn under the terms of the facility agreement between the bank and the company.

The unlisted investment represents the cost of investment in Frontline Enterprises Limited.

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

6 **Creditors**

Amounts falling due within one year

	30 June 1993 £000	31 December 1992 £000
Bank overdraft	-	926
Bank loans	3,571	3,500
Obligations under finance leases and hire purchase contracts	15	13
Trade creditors	260	274
Amounts owed to subsidiary undertakings	23,556	18,027
Corporation tax	988	1,019
Other tax and social security	115	145
Other creditors	107	29
Accruals and deferred income	729	509
Dividend	495	495
	29,836	24,937

Amounts falling due after more than one year

	30 June 1993 £000	31 December 1992 £000
Bank loans		
Due between one and two years	4,571	4,071
Due between two and five years	6,437	8,713
Due after five years	-	143
Obligations under finance leases and hire purchase contracts		
Due between one and two years	17	16
Due between two and five years	48	57
Fixed rate guaranteed loan notes		
Due between two and five years	2,000	2,000
Floating rate guaranteed loan notes		
Due between one and two years	8,800	8,800
	21,873	23,800

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

6 **Creditors** *(continued)*

All bank loans are secured against the properties of the Group, together with all other assets of certain subsidiary undertakings. Bank loans, excluding those repayable within one year, are repayable by instalments over four years and six years. Interest is payable on these loans at between 8% and 14% per annum.

All loan notes are unsecured. The fixed rate loan notes bear an interest rate of 13% per annum and are repayable on 16 February 1995, or earlier by the mutual consent of both parties.

The floating rate loan notes bear an interest rate of 0.75% per annum below bank base rate, subject to a minimum rate payable of 11% per annum. The earliest redemption date for these loan notes was 12 April 1992 and the latest date is 12 April 2020. The loan note holders have agreed at an Extraordinary General Meeting on 8 November 1993 to vary the terms of redemption from a notice period of 90 days to a notice period of a year and a day and accordingly these liabilities have been classified as "Amounts falling due after more than one year".

7 **Provisions for liabilities and charges**

	Deferred tax
At 1 January 1993	(26)
Transfer from profit and loss account	5
At 30 June 1993	(21)

The amounts provided for deferred tax and the amounts not provided are set out below. The amounts unprovided represent contingent liabilities and are calculated using a tax rate of 33% *(1992 : 33%)*.

	30 June 1993		31 December 1992	
	Provided £000	**Unprovided £000**	Provided £000	Unprovided £000
Accelerated capital allowances	(13)	59	(11)	56
Other timing differences	(8)	-	(15)	-
Unrealised capital gains	-	203	-	341
	(21)	262	(26)	397

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

8 Called up share capital

	30 June 1993 £000	31 December 1992 £000
Authorised		
Ordinary shares of 20p each	**2,000**	2,000
Allotted, called up and fully paid		
Ordinary shares of 20p each	**1,320**	1,320

The number of ordinary shares of 20p each in issue at 30 June 1993 was 6,599,107 *(31 December 1992 : 6,599,107)*.

Details of share options are given in notes 12 to 14.

9 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of period	304	1,569	1,320
Surplus on revaluation of properties	-	181	-
Retained profit for the period	-	-	6,197
At end of period	304	1,750	7,517

10 Contingent liabilities

The company has guaranteed the bank overdrafts of certain subsidiary undertakings. The amount outstanding at the end of the period under such guarantees was £2.445 m *(1992 : £2.469 m)*.

The company has given guarantees and other security for the liabilities of its subsidiary undertakings arising under certain finance leases and hire purchase contracts and certain operating leases. The amount of obligations of the subsidiary undertakings existing under all finance leases and hire purchase contracts at the end of the period was £22.832 m *(1992 : £21.645 m)*.

The company has guaranteed the bridging loans existing between banks and certain employees which have arisen due to the Group requiring those employees to relocate. At the end of the period, the amount of guaranteed bridging loans outstanding was £0.147 m *(1992 : £0.292 m)*.

The company has guaranteed both the principal and the interest arising on a £1.6 m medium term bank loan of the Badgerline Holdings Limited Share Trust. During the period, under its obligations arising from its guarantee, the company paid interest of £Nil *(1992 : £0.196 m)*.

The company is the representative member of a VAT group covering the company and most subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HM Customs and Excise.

Badgerline Holdings Limited

Notes to the Balance Sheet *(continued)*

11 Pension schemes

The company is a member of two defined benefit pension schemes, which are funded. All eligible employees are offered membership of the schemes. The latest valuations of the schemes were carried out by independent actuaries at 1 January 1992 and 6 April 1992 and were reviewed by the group's actuary at 30 June 1993. At the date of the actuarial valuations, the market value of the schemes' assets totalled £10.861 m. The actuarial values of these assets were sufficient to cover 115% of the benefits which had accrued to the scheme's members. These surpluses, which amount to £1.714 m, are being utilised by increasing the benefits offered to their members as well as a reduction in the company's contribution to these schemes. The reduction in the company's contributions is to be recognised over the average remaining working lives of members which is calculated by the actuary as being 13 years. This variation from the regular cost has reduced the charge to the profit and loss account by £0.004 m *(1992 : £0.011 m)*. A prepayment of £0.025 m *(1992 : £0.016 m)* is included in the company's balance sheet in respect of contributions paid by the company into the schemes, in excess of the charge in the profit and loss account.

Contributions are being paid to each of schemes at rates recommended by the actuaries and the assets of the schemes are held in separately administered trusts. The schemes' assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the schemes.

The actuarial assumptions used in determining the costs used in these accounts were that the rate of return on investments will be 10.5% per annum; the rate of earnings increase will be 7.5% per annum; the rate of dividend growth will be 6% per annum after allowing for no increase in the first year; and the rate of inflation will be 5.5% per annum. The valuation was made using the projected unit method.

12 Savings related share option scheme

The company has a savings related share option scheme, which has been approved by the Inland Revenue under the terms of Schedule 9, Income and Corporation Taxes Act 1988. Options are granted to employees agreeing to open a Share Save Account with the Halifax Building Society, and to save either weekly or monthly for a five year period. The right to exercise the option is at the discretion of the employee at the end of the five year period. All existing options were issued in 1990 and the exercise price is £3.20 per share. The changes in the number of employees of group undertakings saving under this scheme and the number of ordinary 20p shares issuable under their options during the financial period were as follows:

	Employees	Ordinary 20p shares
At 1 January 1993	711	404,561
Options lapsed during period	(43)	(20,648)
At 30 June 1993	668	383,913

Notes to the Balance Sheet *(continued)*

13 Executive share option scheme

The company has an executive share option scheme which has been approved by the Inland Revenue under the terms of Schedule 9, Income and Corporation Taxes Act 1988. The right to exercise the option is at the discretion of the executive during the period between three and ten years after the option is granted. All options existing at the beginning of the period were issued in 1990 and the exercise price is £3.20 per share. On 27 May 1993, additional share options were issued which comprised 64,000 additional share options to the four executives already having options and 95,000 share options to six additional executives. The exercise price of these options is also £3.20 per share. The number of executives of group undertakings under this scheme and the number of ordinary 20p shares issuable under their options during the financial period were as follows:

	Executives	Ordinary 20p shares
At 1 January 1993	4	171,875
Options issued during period	6	159,000
At 30 June 1993	10	330,875

In addition to the options listed above, on 27 May 1993, two of the executives were granted in total 25,000 share options at £3.20 per share. These options are outside the scope of the scheme due to Inland Revenue rules and hence are known as 'unapproved options'. However the terms of these options are the same as for the options within the scheme.

14 Share options

During 1992 one of the company's bankers agreed to reduce interest charges in exchange for a variation in the terms of its share option, which was granted in 1990. Under the revised terms of this option, the bank is entitled to purchase at a price of 60p per share existing ordinary shares, or to subscribe in cash at 60p per share for issue and allotment to it of new ordinary shares, such that its holding, after the option is exercised will be 3.5% of the issued ordinary share capital.

The right to exercise this option is at the discretion of the bank. The period of the option is ten years, or until one year after all loans and after facilities made available to the company by this bank have been repaid, whichever is earlier.

15 Post balance sheet events

(a) Share capital

On 30 July 1993 70,137 ordinary shares of 20p each were purchased by the company for cash at £3.20 per share and such shares were cancelled. On the same date 70,137 ordinary shares of 20p each were issued in satisfaction of members' scrip dividend entitlements at £3.20 per share. The overall effect of these two transactions was to leave the issued share capital unchanged.

Notes to the Balance Sheet *(continued)*

16 **Post balance sheet events** *(continued)*

(b) Share option exercise

Two of the directors have chosen to exercise (conditionally only upon the placing and offer agreement becoming unconditional in all respects) certain options granted to them under the Executive share option scheme in respect of an aggregate of 109,375 ordinary shares of 20p each at £3.20 per share and the board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

(c) Other share capital changes

Pursuant to a special resolution of the company passed on 8 November 1993 (expressed to be effectively conditional upon listing of the company on the London Stock Exchange):

(i) each ordinary share of 20p of the company is to be sub divided into four ordinary shares of 5p each;

(ii) the authorised share capital is to be increased to £6 million divided into 120 million ordinary shares of 5p each; and

(iii) a sum equal to the nominal value of the issued share capital is to be appropriated from reserves and applied to satisfy a one for one bonus issue to members following the sub division noted above.

(d) Hill Samuel

Hill Samuel Bank Limited has agreed to exercise (conditionally upon the placing and offer agreement becoming unconditional in all respects and the completion of the events set out in (c) above) an option granted to it to subscribe for 3.5% of the total issued share capital of the company (being 1,868,552 ordinary shares of 5p each) at 7.5p per share and the board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

Declaration of compliance with requirements by a private company on application for re-registration as a public company

43(3)(e)

Please do not write in this margin

Pursuant to section 43(3)(e) of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies
(Address overleaf)

For official use

Company number 2029363

Name of company

* BADGERLINE HOLDINGS LIMITED

* insert full name of company

I, DAVID JOHN WARD

of 27 COTHAM GROVE

COTHAM

BRISTOL BS6 6AN

† delete as appropriate

(the secretary)~~(a director)~~† of the company, do solemnly and sincerely declare that:

§ insert date

1 the company, on 8th November 1993 §, passed a special resolution that the company should be re-registered as a public company;
2 the conditions of sections 44 and 45 of the above Act (so far as applicable) have been satisfied;
3 between the balance sheet date and the application for re-registration, there has been no change in the company's financial position that has resulted in the amount of its net assets becoming less than the aggregate of its called-up share capital and undistributable reserves.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at 4 Dennyview Road
Abbots Leigh
Bristol

Declarant to sign below

D J Ward

the 8th day of November

One thousand nine hundred and ninety three

before me S Atherton

~~A Commissioner for Oaths or Notary Public or Justice of the Peace or~~ Solicitor having the powers conferred on a Commissioner for Oaths.

Presentor's name address and reference (if any):
Ref: BTJ/RAB/7602.76

BURGES SALMON,
SOLICITORS,
NARROW QUAY HOUSE
PRINCE STREET,
BRISTOL.
BS1 4AH

For official Use
General Section

Post Room

- 9 NOV 1993

FILE COPY

CERTIFICATE OF INCORPORATION

ON CHANGE OF NAME

AND RE-REGISTRATION OF A PRIVATE COMPANY

AS A PUBLIC COMPANY

Company No. 2029363

The Registrar of Companies for England and Wales hereby certifies that

BADGERLINE HOLDINGS LIMITED

formerly registered as a private company having changed its name and having this day been re-registered under the Companies Act 1985 as a public limited company is now incorporated under the name of

BADGERLINE GROUP plc

and that the company is limited.

Given at Companies House, Cardiff, the 9th November 1993

M. B. MAY (MRS.)
For The Registrar Of Companies

COMPANIES HOUSE

No. 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

of

BADGERLINE HOLDINGS LIMITED

Passed 8th November 1993

At an Extraordinary General Meeting of the above-named Company, duly convened and held on 8th November 1993, the following Resolutions were duly passed as Special Resolutions:

11 NOV 1993
HOUSE

SPECIAL RESOLUTIONS

1 THAT, conditional upon fulfilment of the following conditions on or before 31st December 1993, namely (i) application being made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("**The Stock Exchange**") for admission of the share capital of the Company both issued and proposed to be issued ("**the Shares**") to the Official List of The Stock Exchange ("**Application**"); and (ii) Cazenove & Co., the Company's

brokers, confirming in writing to the Company that they expect admission of the Shares (evidenced by the posting of a Notice pursuant to Rule 520 of the Rules of The Stock Exchange) to occur within 48 hours from the date of such confirmation and that they have not been notified of any reason why such admission should not occur; and in the order set out in the paragraphs below so that each such paragraph shall be implemented immediately after the implementation of the previous paragraph:

(a) each of the issued and each of the unissued ordinary shares of 20p of the Company be sub-divided into 4 ordinary shares of 5p each ("**the Subdivision**");

(b) the authorised share capital of the Company be increased from £2,000,000 to £6,000,000 by the creation of 80,000,000 new ordinary shares of 5p each ("**the Share Increase**");

(c) the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("**the Act**") and in substitution for any existing power to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount equal to one third of the aggregate nominal value of the issued and committed share capital of the Company immediately following the allotment and issue of all ordinary shares of 5p each pursuant to the placing and offer proposed to be made at or around the time of the Application referred to and defined above during the period expiring on the day before the fifth anniversary of the date of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in

pursuance of such offers or agreements as if the authority conferred hereby had not expired;

(d) the directors be and they are hereby authorised pursuant to section 80 of the Act (such authority to expire on 31st December 1993) and directed to capitalise a sum in sterling equal to the aggregate nominal value of the total issued share capital of the Company immediately following the Subdivision (being part of the amount standing to the credit of the share premium account of the Company or, if the credit balance on such share premium account is less than the amount proposed to be capitalised at the time of such capitalisation, being the whole of the amount standing to the credit of such share premium account and part of the amount standing to the credit of the profit and loss account of the Company) and, immediately after the Subdivision and Share Increase, to appropriate such sum to the members who would have been entitled thereto if distributed by way of dividend and to apply such sum on their behalf in paying up in full at par such number of ordinary shares of 5p each of the Company (to be allotted credited as fully paid to such members, or as they may direct) as are required to satisfy a bonus issue to members in the proportion of one new ordinary share of 5p each for every one new ordinary share of 5p each held by them immediately following the Subdivision ("**the Bonus Issue**")

(e) the directors be and they are hereby empowered, pursuant to section 95 of the Act to allot equity securities for cash (as defined in section 94(2) of the Act) pursuant to the authority given in accordance with section 80 of the Act by paragraph (c) of this Resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of up to 45,000,000 ordinary shares of 5p each pursuant to the placing and offer proposed to be made at or around the time of the Application referred to and defined above;

(ii) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights to holders of Ordinary Shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount equal to 5 per cent of the aggregate nominal value of the total issued share capital of the Company following the allotment and issue of all the ordinary shares of 5p each pursuant to the placing and offer described in sub-paragraph (i) above;

and shall expire on the earlier of the conclusion of the Annual General Meeting of the Company in 1994 and 30th September 1994, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements as if that power had not expired;

(f) all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect;

2 That the Purchase Contract expressed to be made between the Trustees of the Badgerline Limited Pension Scheme (1), the Trustees of the Badgerline Holdings Limited Share Trust (2), the Trustees of the Bramble Charitable Trust (3) and the Company (4) and to provide for the purchase by the Company (contingently on and subject to the fulfilment of the following conditions before 31st December 1993 namely:-

(a) the allotment and issue of shares pursuant to the Bonus Issue (referred to and defined in resolution 1 above); and

(b) shares of the Company being placed and/or offered at or around the time of the Application (referred to and defined in resolution 1 above) by or on behalf of the Company);

of the number of ordinary shares of 5p each of the Company (after the Sub-division and Bonus Issue referred to and defined in resolution 1 above) specified in such Purchase Contract from the Vendors as defined therein (a final draft whereof marked "A" is produced to the Meeting and for purposes of identification signed by the Chairman thereof, being an agreement which has been on display at the registered office of the Company since Thursday 21st October, 1993 and on display at the meeting) be and the same is hereby approved and the Directors be and they are hereby authorised to procure the Company to enter into such Purchase Contract such authority to expire 6 months after the date of this resolution.

3 THAT, if the entire issued share capital of the Company is not admitted to the Official List of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited on or before 31st December 1993:-

(a) the Company be re-registered as a private limited company under the Companies Act 1985 and accordingly its name be changed to Badgerline Group Limited

(b) the Memorandum of Association of the Company be altered as follows:-

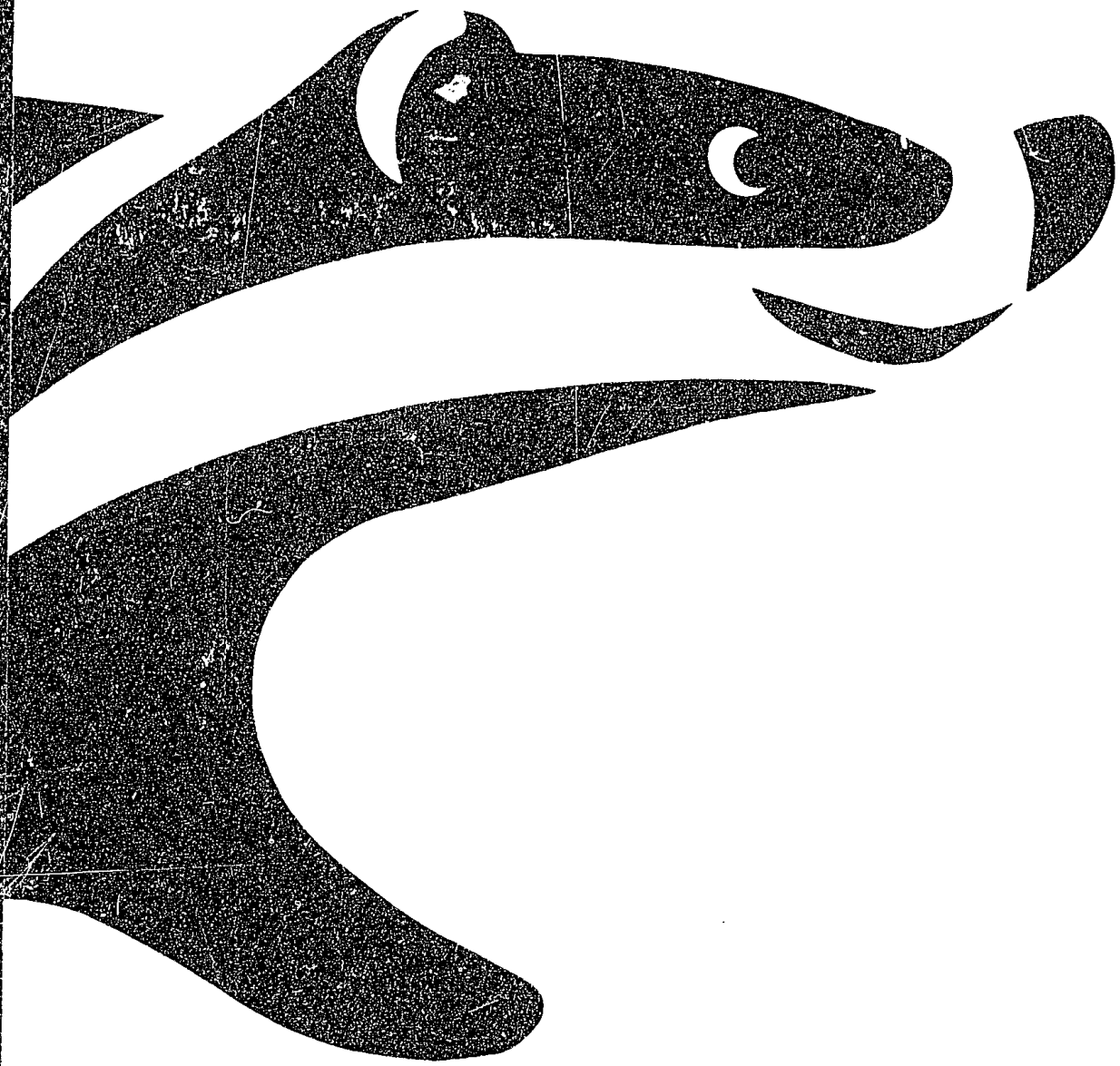
(i) by deleting clause 2; and

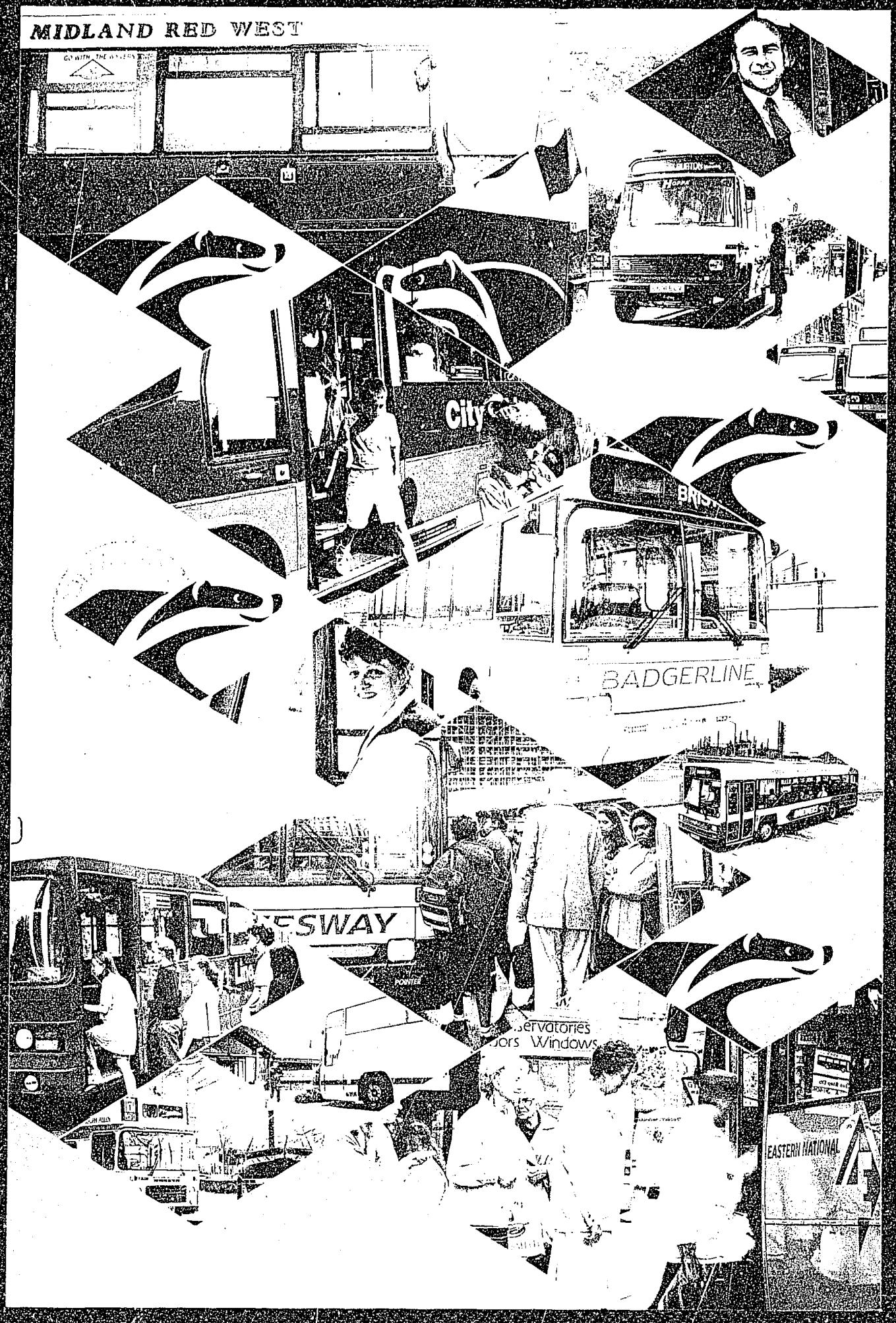
(ii) by re-numbering the existing clauses 3 to 6 (both inclusive) as 2 to 5 respectively

(c) the regulations contained in the printed document submitted to the Meeting marked "C" and for the purpose of identification signed by the Chairman thereof be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association thereof.

.....
Chairman

2029363




MIDLAND RED WEST
City
BADGERLINE
ESWAY
EASTERN NATIONAL

2029363

A copy of this document, which comprises listing particulars relating to Badgerline in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of that Act.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company issued and now being issued, to be admitted to the Official List. It is expected that the ordinary shares will be admitted to the Official List and that dealings in those shares will commence on 26th November, 1993.

The Directors of Badgerline, whose names appear on page 2, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

You should note that, in connection with the Issue, Lazard Brothers is acting for Badgerline and the selling shareholders and no one else and will not be responsible to anyone other than Badgerline or the selling shareholders for providing the protections afforded to customers of Lazard Brothers or for providing advice in relation to the Issue.

BADGERLINE GROUP plc

Incorporated and registered in England and Wales under the Companies Act 1985 No. 2029363

COMPANIES
10 NOV 1993
L C
HOUSE

Placing and Offer by Lazard Brothers & Co., Limited

of 40,577,570 ordinary shares of 5p each at 115p per share payable in full on application

---

Share capital following the Issue

Authorised			Issued fully paid	
Number	Amount		Number	Amount
120,000,000	£6,000,000	ordinary shares of 5p each	86,343,786	£4,317,189

The ordinary shares now being issued will rank *pari passu* in all respects with the existing issued ordinary shares of Badgerline and will rank in full for all dividends and other distributions hereafter declared, made or paid in respect of the ordinary share capital of the Company.

Indebtedness

At the close of business on 29th October, 1993 Badgerline and its subsidiaries had outstanding secured bank loans of £16,823,820, secured overdrafts of £1,001,384, unsecured other loans of £3,500,000, finance lease obligations of £28,512,529, guaranteed loan notes of £10,800,000 and guarantees and contingent liabilities of £733,014.

Save as aforesaid and apart from intra-group indebtedness, at the close of business on that date neither Badgerline nor any of its subsidiaries had any outstanding loan capital (including term loans) whether issued or created but unissued, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, finance lease obligations, mortgages, charges, guarantees or other contingent liabilities.

At the close of business on 29th October, 1993 Badgerline and its subsidiaries had cash at bank of £1,835,265.

Directors, secretary and advisers

Directors	Trevor Smallwood (Chairman) Keith Norman Ahlers (Commercial) Cecil William Foreman (Non-executive deputy chairman) Andrew Thomas Higginson (Non-executive) James McLaughlin (Finance) Graeme George Turnbull Varley (Managing) Philip Kendrick Williams (Non-executive) Victor John Woolley (Engineering) all of: Badger Manor Edingworth Weston-super-Mare BS24 0JA
Secretary	David John Ward ACA
Registered office	Badger Manor Edingworth Weston-super-Mare BS24 0JA
Sponsor and financial adviser	Lazard Brothers & Co., Limited 21 Moorfields London EC2P 2HT
Solicitors to the Company	Burges Salmon Narrow Quay House Prince Street Bristol BS1 4AH
Auditors	KPMG Peat Marwick Chartered Accountants Richmond Park House 15 Pembroke Road Clifton Bristol BS8 3BG
Receiving bankers	Lloyds Bank Plc Lloyds Bank Registrars Issue Section 2nd Floor, Bolsa House 80 Cheapside London EC2V 6EE
Stockbrokers	Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN
Solicitors to the sponsor	Slaughter and May 35 Basinghall Street London EC2V 5DB
Reporting accountants	KPMG Peat Marwick P. O. Box 486 1 Puddle Dock Blackfriars London EC4V 3PD
Registrars and paying agents	Lloyds Bank Registrars The Causeway Worthing West Sussex BN99 6DA
Principal bankers	Barclays Bank PLC 40 Corn Street Bristol BS99 7AJ Hill Samuel Bank Limited 100 Wood Street London EC2P 2AJ

Contents

		Page
Key information		4
Definitions		6
PART 1	**Information on Badgerline**	
	Introduction	7
	History and development	7
	The business	8
	The public transport market	14
	Directors, management and other employees	15
	Financial record	18
	Current trading and prospects	19
	Profit forecast	19
	Dividends	20
	The Issue	20
PART 2	**Pro forma statement of net assets**	21
PART 3	**Information relating to the profit forecast**	22
PART 4	**Accountants' report**	24
PART 5	**Additional information**	44
PART 6	**Procedure for application**	64
Guide to the Application Form		68
Application Form		69

Expected timetable

Latest time for receipt of application forms	**10.00 a.m. on Friday, 19th November, 1993**
Basis of allocation announced	Monday, 22nd November, 1993
Despatch of definitive share certificates	Thursday, 25th November, 1993
Dealings commence	Friday, 26th November, 1993

Key information

The following information is derived from, and should be read in conjunction with, the full text of this document.

The business

Badgerline is one of the largest groups in the United Kingdom bus and coach industry. It was founded in 1986 to acquire the business of Badgerline Limited from NBC and has grown both organically and through acquisition, to the extent that it now operates approximately 2,300 buses and coaches in the West Midlands, South Wales and the South of England

The Group's key strengths are:

- High quality core profits
- A fleet of vehicles whose profile reflects the needs of the business and its customers
- The ability to provide high frequency bus services cost effectively
- An experienced management team
- Record of outperformance of its market
- Proven ability to improve results of acquired businesses
- The leading provider of bus services in the majority of its main operating regions, with strong local branding
- Strong cash generation
- Good prospects for profitable growth

The management team has developed the Group's existing businesses and systems to provide a sound base on which further growth can be achieved. There are numerous opportunities for further expansion through the acquisition of both publicly and privately owned bus operators in the United Kingdom, whose performance can be enhanced by the Badgerline management team. In addition, the Directors believe that the environmental issues being debated at present mean that there will be pressure to increase the use of public transport.

The Group's shares are held principally by its employees. The Group has grown rapidly since the original buy out in 1986, and now wishes to raise new equity capital to strengthen the balance sheet and provide funds for the Group to pursue its investment and acquisition programme.

Financial record

Set out below is the financial record of the Group for the three and a half years ended 30th June, 1993, which has been extracted from the Accountants' Report set out in Part 4.

	Year ended 31st December			6 months ended 30th
	1990 £000	1991 £000	1992 £000	June, 1993 £000
Turnover	113,268	128,838	127,028	63,878
Profit before interest and tax	7,645	9,825	9,252	5,277
Profit before tax	1,319	2,442	3,237	2,559
Operating cash inflow	5,735	15,499	13,566	8,551

Profit forecast

The profit forecast for the year ending 31st December, 1993, is set out below:

	Profit forecast £ million
Profit before interest and tax	12.6
Profit before tax	6.7
Earnings per ordinary share	8.4p
Fully diluted earnings per ordinary share	7.9p

The bases and assumptions underlying the profit forecast are set out in Part 3.

The significant increase in profit before interest and tax between 1990 and 1993 illustrates the achievements of the current management team which has improved the performance of the substantial businesses acquired in 1990 as well as Badgerline's existing business. The results for 1992 and early 1993 were depressed by adverse trading conditions at Thamesway, where profitability has now been restored.

Issue statistics

Issue price	115p
Market capitalisation at the Issue price	£99.3 million
Net proceeds to be raised by the Company from the issue	£36 million
Price earnings multiple at the Issue price based on:	
Forecast earnings per share	13.7 times
Fully diluted forecast earnings per share	14.5 times
Notional gross dividend yield at the Issue price	4.5 per cent.

Definitions

"Badgerline" or "Company"	Badgerline Group plc and, where the context requires, its predecessor bus operating entity
"Directors" or "Board"	the directors of Badgerline listed on page 2 of this document
"Group"	Badgerline and its subsidiary undertakings
"Issue"	the Placing and the Offer
"Issue price"	115p per ordinary share
"Listing"	admission of the ordinary shares issued and now being issued to the Official List becoming effective
"London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Lazard Brothers"	Lazard Brothers & Co., Limited, financial adviser to Badgerline and sponsor to the Issue
"Offer"	the offer of 14,202,150 ordinary shares by Lazard Brothers on behalf of the Company and the selling shareholders as described in this document
"Official List"	the Official List of the London Stock Exchange
"ordinary shares"	ordinary shares of 5p each in the capital of the Company
"Placing"	the placing of 26,375,420 ordinary shares by Lazard Brothers on behalf of the Company and the selling shareholders as described in this document
"selling shareholders"	the individuals and financial institutions mentioned in paragraph 13(c) of Part 5
"NBC"	National Bus Company
"PCV"	passenger carrying vehicle
"OFT"	Office of Fair Trading
"MMC"	Monopolies and Mergers Commission
"Bus"	includes coach where the context requires
"Brewers"	AE & FR Brewer Limited
"City Line"	Bristol Omnibus Company Limited
"Eastern National"	Eastern National Limited
"Midland Red West"	Midland Red West Limited
"South Wales Transport"	The South Wales Transport Company, Limited
"Thamesway"	Thamesway Limited
"Wessex"	Wessex National Limited
"Western National"	Western National Limited
"Badger Retail"	Badger Retail Limited
"Skillplace Training"	Skillplace Training Limited
"Dolsett"	Dolsett Estates Limited

PART I

Information on Badgerline

Introduction

Badgerline is the holding company of a group of companies principally engaged in the provision of local bus and coach services in the South West of England, the West Midlands, South Wales and in Essex and its adjoining areas, including London. In addition to its local bus activities, the Group is a [illegible] to the National Express network although this only accounts for 8 per cent. of Group sales.

The Group has grown following the initial acquisition of Badgerline Limited in 1986, in one of the first buy outs from NBC, to become one of the largest groups in the bus and coach industry in the United Kingdom. This growth has principally been achieved by the acquisition of bus companies, retaining key individuals from those companies to assume roles within the Group. Although one of the largest bus operators in the United Kingdom, the Group has under 4 per cent. of the total bus and coach market.

The Group's philosophy is to devolve significant operational control to local management. The Company encourages employees to participate in ownership of the Group and there are now over 1,000 employee shareholders. The Directors believe that this policy has helped to engender a commitment on the part of the work force. The employees are being offered up to 10 per cent. of the Offer on a priority basis.

History and development

The Company was formed for the purpose of the buy out of Badgerline Limited, a company which operates bus and coach services in and around Bristol. The buy out team consisted of 6 directors and 74 employees. Four of the original directors are still involved in the Group, including Trevor Smallwood who led the buy out and has been Chairman throughout.

In 1987 the Group took a 39 per cent. interest in Western National, which operates services in South Devon and throughout Cornwall. This was increased to 67 per cent. in 1988, the balance being acquired in 1989.

In 1988, the Group acquired Midland Red West Holdings Limited. This company was the holding company of Midland Red West and City Line which operate bus services in the West Midlands including Birmingham and Bristol respectively. In early 1990, the Group extended its geographical reach with the acquisition of South Wales Transport and Brewers. In April of that year it acquired Eastern National which operates in Essex, parts of Hertfordshire and East London. Eastern National's business was then separated in July 1990, with Thamesway assuming the business in South Essex and East London.

The business

Bus operations

The Group operates some 2,300 buses and coaches in the West Midlands, South Wales and the South of England as is illustrated below:

In all the main areas in which it operates (other than London and parts of Birmingham), Badgerline is the leading provider of bus services.

A summary of the Company's principal operating subsidiaries is set out below:

Principal operating subsidiaries	1992		
	Average no. of staff	Operational fleet at year end	Turnover £ million
Bristol region:			
Badgerline Limited	899	361	20.0
City Line	1,034	336	21.6
Wessex	87	33	3.2
Midlands:			
Midland Red West	889	350	17.0
South Wales:			
South Wales Transport	848	248	16.6
Brewers	204	114	3.6
Essex, Hertfordshire and East London:			
Eastern National	582	210	12.5
Thamesway	734	295	14.1
South Devon and Cornwall:			
Western National	778	345	16.9
Total	6,055	2,292	125.5

Badgerline Limited

Years ended 31st December	1990	1991	1992
Turnover (£ million)	19.6	19.9	20.0
Operational fleet	397	370	361

Badgerline Limited operates services in Avon, and parts of Gloucestershire, Somerset and Wiltshire. Cost reductions made in 1991 benefited 1992's results despite a fall in passenger numbers.

City Line

Years ended 31st December	1990	1991	1992
Turnover (£ million)	19.9	20.8	21.6
Operational fleet	368	336	336

City Line operates urban bus services from 4 depots in and around Bristol. The business has been successfully developed since deregulation, with an increase in passenger numbers of approximately a quarter since 1985.

Wessex

Years ended 31st December	1990	1991	1992
Turnover (£ million)	3.5	3.4	3.2
Operational fleet	33	33	33

Operating from central Bristol, Wessex is principally a provider of services on contract to National Express. In addition, it operates a small fleet of private hire coaches. The company has recently started a local bus service in Bristol under the trade name of "Sky Blue".

Midland Red West

Years ended 31st December	1990	1991	1992
Turnover (£ million)	16.9	17.4	17.0
Operational fleet	380	356	350

This company operates services in the West Midlands from depots in Birmingham, Hereford, Worcester, Redditch and Kidderminster. A wide-scale revision of networks in 1992 has led to substantial savings in operating costs and enhancement of operating margins.

South Wales Transport

Years ended 31st December	1990	1991	1992
Turnover (£ million)	15.1	16.0	16.6
Operational fleet	273	274	248

This company operates local bus services in South Wales in conjunction with Brewers. Its main areas of operation are in and around Swansea, Llanelli and Neath. In addition, it operates a number of vehicles on contract to National Express. Its performance has significantly benefited from the introduction of Group systems and its operating margin has steadily improved since its acquisition in 1990.

Brewers

Years ended 31st December	1990	1991	1992
Turnover (£ million)	2.0	2.1	3.6
Operational fleet	63	61	114

Brewers operates local bus services in Port Talbot and the Welsh valleys and in 1992 its operations were expanded to encompass Bridgend and its environs.

Eastern National

Years ended 31st December	1990	1991	1992
Turnover (£ million)	21.9*	12.7	12.5
Operational fleet	218	226	210

*In July 1990 approximately 50 per cent. of this business was transferred to Thamesway.

This company operates local bus services in North Essex and parts of Hertfordshire from 7 depots. Improvements in profitability have been achieved by close control of operating costs including the rationalisation of engineering facilities. The company's recent expansion of services in and around Colchester offers an opportunity for further growth.

Thamesway

Years ended 31st December	1990	1991	1992
Turnover (£ million)	7.0*	16.6	14.1
Operational fleet	278	284	295

*See footnote to Eastern National.

The local bus operations of Eastern National were transferred to Thamesway in July 1990. Its operations are based in South Essex and East London. The reduction in turnover in 1992 arose from the award of tendered services previously operated by the company in London to other operators, and resulted in the closure of the Walthamstow depot. Thamesway was successful in winning other tenders later in 1992.

Western National

Years ended 31st December	1990	1991	1992
Turnover (£ million)	16.2	16.7	16.9
Operational fleet	348	343	345

This company operates services in South Devon and throughout Cornwall from 6 depots. National Express services from Penzance to London and other destinations comprise a substantial part of this company's activities. Since its acquisition, the Group has been successful in turning this business around from being a significant loss-maker to a position where its margins are in line with the best in the Group.

Fleet management

At 30th June, 1993 the Group's operational fleet comprised:

	Operational fleet		Average expected life	Average age
	No.	per cent.	years	years
Double deck buses	395	17	16	12
Single deck buses and coaches	831	35	16	10
Midi buses	1,006	43	11	5
Mini buses	127	5	8	7
	2,359	100		

The fleet profile reflects the Group's belief that passengers want a frequent reliable service which is provided by operating smaller vehicles with short intervals between services. Consequently, the Group's fleet has proportionately many more midi buses than other comparable groups whilst, over the period 1985–1992, there has been a 22 per cent. decline in passenger numbers in Great Britain outside London, the Group's principal operating companies have achieved an overall 3 per cent. increase in passenger numbers. Although the labour cost of running such a fleet is higher than for a conventional fleet of large vehicles, the Directors believe that higher profits and better long term prospects are thereby established.

Over the period 1990–1992, 341 new vehicles were acquired at a total cost of £18.3 million of which 65 per cent. were midi buses some of which replace part of the mini bus fleet which is being phased out. The Group's plans for vehicle purchases in the remainder of 1993 and 1994 reflect a continuation of this policy. During the current year and 1994 it is expected that some 464 new vehicles (of which 81 per cent. will be midi buses) will be acquired which will further update the fleet as well as increase its size. Most of these latter vehicles were secured at beneficial rates when the Group placed a fixed price order for 396 vehicles in 1992.

Vehicle utilisation is a critical element in a successful transport operation and Badgerline has introduced and developed advanced information systems which enhance both vehicle and driver utilisation.

Engineering standards within the Group are maintained at a high level. The annual PCV test pass rate for the Group in 1992 was 93 per cent., set against a United Kingdom average pass rate of 82 per cent.. Since 1990 the maintenance cost per mile has been reduced by over 8 per cent., as a direct result of efficiencies brought about by the introduction of new vehicles and the benefits of the Group's engineering systems.

It is not industry practice to insure against damage to buses. Since 1st February, 1993 the Group has been self-insured for the third party risks associated with the bus fleet. The Group has an excess of loss policy in respect of such claims in any one year exceeding £5 million in aggregate.

Rapid transit and rail

Badgerline devotes considerable management resource to the expansion of its public transport activities, including the application of emerging technologies, such as more efficient engines and guided light transit systems, as well as the investigation of opportunities arising out of rail privatisation.

Retail and training

The combined turnover of Badger Retail and Skillplace Training is about £1.5 million. They are making a modest contribution to profits and are not expected to expand in the future.

Property

Dolsett was established in 1987 to manage the Group's widespread property portfolio. Many of the Group's properties were built in the 1950's and enjoy central locations in towns and cities. These buildings are no longer entirely suitable for modern vehicles, and there is therefore an opportunity to dispose of many of the sites for profitable redevelopment.

At 30th June, 1993 the Group balance sheet included £17.2 million in respect of property development work-in-progress of which the three largest are the Kensington depot in Bath and the City Motors and Embankment Lane sites in Bristol and Plymouth respectively. These three properties are included in the balance sheet, in aggregate, at £16.1 million.

The Group has entered into a contract to sell a substantial part of the Bath operational depot to Safeway Stores plc subject to planning permission. A public inquiry on the application was completed in January 1993 and the result is awaited. A new site in Bath has been secured subject to the sale of the existing site. In the event that the sale to Safeway Stores plc is completed following a suitable planning consent, it is not expected that a material profit or loss will occur. Failure to obtain planning permission would, however, entail a write down of up to £5.2 million after tax. In the event that planning permission is granted to both Safeway and another company in respect of another site, a loss would occur. In these circumstances the loss would be approximately £4 million after tax. Further details of the site and contract are set out in Part 4 and paragraph 11 of Part 5.

In addition to those properties currently shown in work-in-progress the Group has a number of other sites which offer scope for future development. For example, the Group has obtained outline planning permission for the development of 325,000 sq ft of shopping space and a new bus station at its Marlborough Street bus station in central Bristol although it is unlikely this site will be developed for some years.

The public transport market

Structure and competitors

Local buses are by far the most important element of the public transport market:

	Passenger journeys 1991/92	
	No. million	**Per cent.**
Local bus	4,669	68
Other bus and coach	619	9
Total bus and coach	**5,288**	**77**
British Rail	740	11
Underground/Metro	813	12
Domestic air	12	0
	6,853	100

Source: Bus & Coach Council Industry Facts 1993, Bus & Coach Council

The Group considers that the main competitor to local bus operations is the car. Competition from other means of public transport such as air and rail is limited. Over the period 1982–1991 the number of private cars licensed increased by 29 per cent., and is forecast to increase by a further 65 per cent. to the year 2025.

Government provides funding in order to promote increased bus usage in town and city centres. In addition it promotes local bus services by repaying fuel duty borne on fuel used in providing these services. In common with other forms of public transport, Value Added Tax on the provision of bus services is zero rated.

Prior to 1986, local bus services were regulated by Traffic Commissioners and local authorities. The Transport Act 1985 brought deregulation outside London and introduced registered commercial services under which an operator provides a service in return for the passenger revenue collected. Tendered services are provided where the local authority considers the provision of a bus service is socially desirable but the expected revenue does not attract a registered commercial service. Contracts for tendered services are usually awarded for a period of three years.

The Transport Act 1985 required NBC to dispose of its operating companies to the private sector. These were sold by competitive tender and many went to management or employee buy outs. The local authority owned Public Transport Executives and municipal bus companies, whilst required to become separate limited companies, were not obliged to be privately owned. A number of these companies have been disposed of and such disposals continue to be encouraged by the Government. London Buses Limited is likely to be privatised, as eleven separate companies, in the near future.

Since deregulation a few sizeable groups have emerged, expanding their operations either through the acquisition of ex-NBC or local authority owned companies. However the local bus industry is still exceedingly fragmented. The two largest private bus groups, Badgerline and Stagecoach Holdings plc, have between them less than 8 per cent. of total local bus revenues of some £3,500 million as estimated by the Bus & Coach Council. Badgerline itself has an estimated market share of less than 4 per cent. There is significant scope for further expansion and consolidation.

Regulation of the bus industry

In 1986 the OFT assumed responsibility for monitoring competition issues under the relevant legislation. Although there have been numerous complaints only a limited number have been investigated.

Nine references have been made to the MMC on local bus monopoly and merger issues. The Group was involved in an early investigation in 1988, when the merger between the Company and Midland Red West Holdings Limited was referred to the MMC by the Secretary of State for Trade and Industry. The MMC report (which contained two dissensions on the panel of six) concluded that the merger might be expected to operate against the public interest insofar as competition for Avon County Council's tendered services was concerned. After undertakings from the Company in relation to the pricing of such tenders by both Badgerline Limited and City Line the merger was allowed to stand.

There have also been eight Competition Act investigations by the OFT. The Group was involved in one such investigation into competition in Southend. The report in August 1993 concluded that Thamesway was not involved in any anti-competitive practices.

The Directors do not believe that regulation by the OFT will represent a significant barrier to the Group's expansion plans in the foreseeable future.

Directors, management and other employees

Directors

The executive directors of the Company have operated as an unchanged management team since November 1989. The Directors are:

Trevor Smallwood (46), Executive Chairman, has been in the bus industry for more than 25 years, starting with Yorkshire Traction in 1966. He led the buy out from NBC in 1986. He is a member of the Chartered Institute of Transport and is currently vice-president and president elect of the Bus & Coach Council.

Graeme Varley (47), Managing Director, joined NBC as a senior management trainee and became managing director of what is now City Line in 1983. He was appointed to the Board in May 1989 and assumed the role of Group Managing Director in August 1993. He is a member of the Chartered Institute of Transport.

Keith Ahlers (38), Commercial Director, began his career as a bus conductor within NBC. He joined City Line in September 1982 and was a member of the buy out team which acquired Badgerline Limited from NBC in 1986. He is also managing director of Badgerline Limited and was appointed to the Board in May 1989.

Jim McLaughlin (37), Finance Director, is a Chartered Accountant. He joined the Group in September 1988 as Finance Director – bus operations, and was appointed Group Finance Director in October 1989.

John Woolley (55), Engineering Director, joined Birmingham & Midland Motor Omnibus Co in 1956 as an engineering trainee and was a member of the Midland Red West buy out team. He was appointed to the Board as Group Engineering Director in November 1989 and is a member of the Institute of Road Transport Engineers.

Bill Foreman (57), Non-Executive Deputy Chairman, is a Chartered Accountant. He joined Vickers in 1970 and was appointed to this board in 1973, retiring in 1991. He holds a number of other non-executive appointments which include Chloride Group Plc and Ricardo Group Plc. He is also chairman of Vickers Pension Fund Trustees Limited and joined the Badgerline Board in August 1991.

Philip Williams (52), Non-Executive, joined Arthur Andersen as a management consultant in 1965 after 3 years with English Electric. He has worked for Hill Samuel Bank since 1973 and was a director at Midland Red West Holdings Limited and Western

National Holdings Limited prior to the Group's acquisition of a controlling interest in these companies. He was appointed to the Board in May 1989.

Andy Higginson (36), Non-Executive, joined Unilever in 1980 and became a member of the Chartered Institute of Management Accountants. He was appointed finance director of Guinness Brewing International in 1987 and became finance director of Laura Ashley Holdings Plc in 1990. He was appointed to the Board in August 1993.

Management of operations

The managing directors of the individual operating companies are responsible for the day-to-day performance of their businesses. This is closely monitored at Group level. The strategy for each business is determined following detailed consultation between managing directors and relevant executive Directors from the Board.

The Group has developed common management reporting systems for all operating companies. The comprehensive nature of these systems enables tight financial and operational controls to be maintained across the Group.

Senior management

A profile of the Group's senior management is set out below:

Name	Age	Operation	Years in relevant industry
Denys Cutmore	49	Dolsett	30
Peter Edwards	43	Thamesway	22
Brian Evans	45	Skillplace Training	26
Bev Fowles	44	Brewers	19
James Freeman	37	Rapid Transit	19
Bob Holland	42	City Line	20
Alan Kreppel	45	South Wales Transport	19
Ken Mills	50	Midland Red West	33
Mike Osborne	44	Wessex	26
Robin Orbell	45	Eastern National	26
Philip Snowden	40	Badger Rail	20
Martin Sutton	39	Western National	21

Other employees

The average number of Group employees was as follows:

	Year ended 31st December			6 months ended 30th
	1990	1991	1992	June, 1993
Drivers	4,008	4,529	4,430	4,382
Maintenance and traffic	1,385	1,511	1,325	1,281
Administration and branch	503	501	417	420
Total	5,896	6,541	6,172	6,083

Following the 1990 acquisitions, a series of operational restructurings were carried out towards the end of 1991, which reduced the number of employees. These actions included the sale of 6 shops by Badger Retail and the closure of the Southend depot of Thamesway

Further reductions in employee numbers occurred following the decision by Thamesway to close its Walthamstow depot as a result of unsuccessful re-tendering for some London Transport contracts.

Most of the Group's employees belong to recognised trade unions. The main unions are the Transport and General Workers Union, the Rail and Maritime Transport Union and the Association of Clerical, Technical and Supervisory Staff. Pay negotiations are conducted locally with representatives of the recognised trade unions. The Group has an excellent employee relations record and since 1986 has lost fewer than 3 days to strikes. These were confined to Western National.

The Group is aware of its responsibility to communicate with employees, and to that end publishes a newspaper entitled "Badgerline Group News" which is distributed two or three times a year. In addition, most of the main operating companies have an in-house magazine in which matters of local interest are discussed.

The Group recognises the benefits of enhancing employee skills. Training is dealt with at the operating subsidiary level and in addition to PCV training, schemes are in place to encourage Non-Vocational Qualifications and career development.

With a view to establishing a pool of suitable candidates for senior management succession, Badgerline has operated a graduate recruitment programme since 1990.

Employee ownership

The Group has a high level of employee ownership and prior to flotation 85 per cent. of its shares were held by over 1,000 past and present employees, directors and their families. Consequently the Board has considerable experience of operating a company with a broad shareholder base.

Following the Issue five of the directors involved in the original buy out team will, together, be interested in 23 per cent. of the enlarged equity.

In addition to direct share ownership, the Group introduced an approved save as you earn scheme in 1990. Over 600 employees are currently participating in this scheme. The Group also has executive share option schemes, details of which are set out in Parts 4 and 5.

Pension schemes

The majority of the Group's principal subsidiaries established their own pension schemes upon privatisation. The Group's policy is to maintain these separately wherever practical and, in aggregate, these schemes were in surplus at the date of their most recent actuarial valuation.

R. Watson & Sons, the Group's actuary, reviewed the position of each of the schemes at 30th June, 1993 and have confirmed that the contribution arrangements entered into following those valuations need not be altered. Further details of the pension schemes are set out in Part 4 of this document.

Corporate governance

The Board comprises eight Directors of whom three are non-executive. It is headed by Trevor Smallwood, the executive chairman. Bill Foreman is non-executive deputy chairman and Graeme Varley is managing director.

Separate committees of the Board deal with audit and remuneration. The Audit Committee was established in 1991 and consists of the three non-executive Directors, together with the finance director. The Remuneration Committee comprises the executive chairman together with the three non-executive Directors.

Financial record

The financial record of the Group for the three and a half years ended 30th June, 1993 is set out in full in the Accountants' Report in Part 4, from which the following financial information has been extracted:

	Year ended 31st December			6 months ended 30th
	1990 £000	1991 £000	1992 £000	June, 1993 £000
Turnover	113,268	128,838	127,028	63,878
Profit before interest and tax	7,645	9,825	9,252	5,277
Profit before tax	1,319	2,442	3,237	2,559
Operating cash inflow	5,735	15,499	13,566	8,551

Acquisitions largely explain the increase in size of the Group in 1991. The financial record from 1991 onwards covers a period during which the group structure has remained substantially unaltered. During this period the Group's focus has been on enhancing the performance of its original business and that of the substantial acquisitions made during 1990.

The results for 1992 and the early part of 1993, however, were depressed by the particular situation at Thamesway, where abnormally intense trading conditions and the unsuccessful re-tendering for certain contracts resulted in a reduction in profit before interest and tax of some £1.5 million in 1992. Trading conditions have now improved and profitability has been restored.

The profit before interest and tax margin increased from 6.7 per cent. in 1990 to 7.3 per cent. in 1992 even taking account of the situation referred to above. This performance has been achieved in a recessionary environment. Profit before tax has increased steadily throughout the period.

Historically the Group has been financed primarily by debt. Pro forma gearing as at 30th June, 1993 adjusted for the Issue was [illegible] per cent. Further details are set out in Part 2. In the short term gearing is expected to be higher, principally reflecting capital expenditure in the latter half of this year.

Current trading and prospects

The Directors are encouraged by the performance in the first half of 1993 which showed a modest real increase in turnover over the same period in 1992 and a substantial increase in profit before interest and tax. Improvements have been seen in every operating company in the Group.

The Group has demonstrated over the past four years its ability to improve the financial performance of businesses which it has acquired. Badgerline has management and financial systems which can be applied to many other bus companies without significantly increasing head office management and resources. Moreover, as a consequence of the stable cost base of the Group, increases in revenue have a significant impact on its profitability.

The Group's business is also affected by seasonal factors associated with travel to schools, work and shops. Profits do not occur evenly during the year, with approximately 60 per cent. of profit before interest and tax in 1993 being earned in the second half.

The Group believes that there will be many opportunities for acquisition in the bus industry. These will result from the further privatisation of both municipal bus operators, as well as London Buses Limited, and from situations where other private bus companies wish to merge with an operator with the financial strength of Badgerline. A number of opportunities are currently under examination.

The Directors believe that the environmental issues being debated at present mean that there will be pressure to increase the use of public transport.

Badgerline is confident of achieving growth in the next few years both by continuing to improve the performance of its own operations and by enhancing the performance of businesses that it acquires.

Profit forecast

The profit forecast for the year ending 31st December, 1993 is set out below:

	Profit forecast £ million
Profit before interest and tax	12.6
Profit before tax	6.7
Taxation	(2.0)
Profit attributable to ordinary shareholders	4.7
Earnings per ordinary share	8.4p
Fully diluted earnings per ordinary share	7.9p

The bases and assumptions underlying the forecast are set out in Part 3.

Dividends

If the ordinary shares had been listed on the London Stock Exchange at the beginning of the year ending 31st December, 1993 the Directors would have expected to recommend a notional net dividend totalling 4.1p per ordinary share in respect of the financial year. At the Issue price, this notional dividend would represent a gross yield of 4.5 per cent., covered approximately 2.1 times by the forecast earnings per ordinary share of 8.4p.

Following Listing, the Directors intend to commence the payment of dividends with an interim dividend in respect of the year ending 31st December, 1994 which will be announced in September and paid in November. The Directors intend to adopt a progressive dividend policy broadly in line with underlying profit growth.

The Issue

Reasons for the Issue

Consideration for acquisitions to date has predominantly been made through bank or bank-backed finance. This has resulted in a high level of gearing, supported by the strong operational cashflows of the Group.

The £36 million of new capital to be raised from the Issue, after expenses, will principally be used to reduce debt by repayment of £21.8 million of existing debt. If the flotation and this debt repayment had occurred at the beginning of the year, the annual interest saved would have amounted to £2.5 million. The balance of the net proceeds (after taking account of the funds required for the share buy-back referred to in paragraph 2(n) of Part 5) will be used to finance future investment and acquisitions. Until such time as these sums are used in this way and for so long as the monies remain on deposit, the impact of the Issue on earnings per share will be dilutive.

The Issue will also provide an opportunity for certain existing shareholders to realise part of their investment. The executive Directors and employees will continue to hold a significant proportion of the Group's equity following the Issue.

The Directors believe that the higher profile associated with the Listing will be of general benefit to the Group.

Details of the Issue

The 40,577,570 ordinary shares which are the subject of the Issue comprise 7,621,048 ordinary shares being sold by the selling shareholders and 32,956,522 ordinary shares being issued by the Company. Of these ordinary shares, 26,375,420 are being placed firm with institutional investors and 14,202,150 are being offered to the public, all at the Issue price. The Issue has been fully underwritten by Lazard Brothers.

Following the Issue the interests of the Directors will amount, in aggregate, to 15 per cent. of the issued ordinary share capital of the Company. Undertakings in relation to the disposal of ordinary shares have been entered into by certain significant shareholders including the executive Directors. Further details are given in paragraph 5(e) of Part 5.

The Issue is conditional upon Listing of the whole of the ordinary share capital of the Company. In order to encourage continuing participation among the employees of Badgerline, special arrangements have been made for them to participate in the Offer and up to 1,420,215 ordinary shares (representing 10 per cent. of the ordinary shares available in the Offer) have been reserved for priority applications from eligible employees. Further details are set out in Part 6 of this document.

PART 2

Pro forma statement of net assets

The following pro forma statement of net assets of the Group is provided for illustrative purposes only. It is based on the audited consolidated balance sheet of the Group as at 30th June, 1993, adjusted as set out below:

	Unadjusted £ million	Adjustments £ million	Pro forma £ million
Tangible fixed assets	52.0		52.0
Current assets			
Stocks	19.2		19.2
Debtors	9.1		9.1
Investments	1.4	(1.3)	0.1
Cash at bank and in hand	1.8	9.0	10.8
	31.5	7.7	39.2
Creditors: amounts falling due within one year			
Financing	(16.0)	11.7	(4.3)
Other	(21.8)	0.3	(21.5)
Net current (liabilities)/assets	(6.3)	19.7	13.4
Total assets less current liabilities	45.7	19.7	65.4
Creditors: amounts falling due after more than one year			
Financing	(41.0)	13.1	(27.9)
Provisions for liabilities and charges	(3.2)	1.1	(2.1)
Net assets	1.5	33.9	35.4

Notes:

(i) The financial position of the Group at 30th June, 1993 is taken from the Accountants' Report in Part 4. The statement does not incorporate any trading results since that date.

(ii) The £36 million proceeds of the Issue, net of expenses, has been applied to repay loans and bank borrowings and to supplement the Group's cash resources.

(iii) The adjustments include the effects of the following:

(a) the exercise of options over 2,743,552 ordinary shares described in paragraphs 2 (l) and (o) of Part 5;

(b) the repurchase of 2,149,144 ordinary shares described in paragraph 2(n) of Part 5; and

(c) break costs of approximately £0.9 million net of tax associated with early repayment of loans out of the proceeds of the Issue.

PART 3

Information relating to the profit forecast

Profit forecast

The profit forecast for the year ending 31st December, 1993 is set out on pages 5 and 19 of this document. It has been prepared on a basis consistent with the accounting policies adopted by the Group. The profit forecast has been based on the audited accounts of the Group for the six months ended 30th June, 1993 and unaudited management accounts for the three month period ended 30th September, 1993 and contains the following principal assumptions:

(i) there will be no serious industrial, climatic or political disputes, disruptions or disturbances which will materially impact upon trading;

(ii) there will be no change in the bases or rates of direct or indirect taxation;

(iii) there will be no change in the rates of interest;

(iv) no major incident will occur which will result in significant additional insurance reserves being required; and

(v) no event will occur prior to approval of the audited accounts for the year ending 31st December, 1993 as a result of which a loss would be incurred or, in the opinion of the Directors, a write down would be required in respect of the Kensington Depot in Bath.

The calculation of earnings per ordinary share is based on a weighted average number of 55,642,387 ordinary shares of 5p each. The calculation of fully diluted earnings per ordinary share is based on a weighted average number of 60,092,858 ordinary shares of 5p each.

Letters relating to the profit forecast

The Directors, who are solely responsible for the profit forecast, have received the following letters from KPMG Peat Marwick, reporting accountants, and Lazard Brothers in connection with the profit forecast:

"The Directors
Badgerline Group plc
Badger Manor
Edingworth
Weston-super-Mare
BS24 0JA

The Directors
Lazard Brothers & Co., Limited
21 Moorfields
London EC2P 2HT

10th November, 1993

Dear Sirs

We have reviewed the accounting policies and calculations for the profit forecast of Badgerline Group plc ("the Company") and its subsidiary undertakings ("the Group") for the year ending 31st December, 1993, set out on pages 5 and 19 of the listing particulars dated 10th November, 1993. The Directors are solely responsible for the profit forecast.

The profit forecast includes results shown by audited consolidated interim accounts for the six months ended 30th June, 1993 and by unaudited consolidated management accounts for the three months ended 30th September, 1993.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors and set out in Part 3 of the listing particulars and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

KPMG Peat Marwick"

"The Directors
Badgerline Group plc
Badger Manor
Edingworth
Weston-super-Mare
BS24 0JA

10th November, 1993

Dear Sirs

We have discussed with you the profit forecast of Badgerline Group plc and its subsidiaries for the year to 31st December, 1993 set out on pages 5 and 19 of the listing particulars dated 10th November, 1993. We have also considered the letter dated 10th November, 1993 addressed to yourselves and ourselves from KPMG Peat Marwick regarding the accounting policies and calculations for the profit forecast.

We confirm that in our opinion the profit forecast, for which you are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully,
For and on behalf of
Lazard Brothers & Co., Limited

DJLF Anderson
Director"

PART 4

Accountants' report

Set out below is the text of a report made by KPMG Peat Marwick, Chartered Accountants and reporting accountants and addressed to the Directors of Badgerline and to the directors of Lazard Brothers.

"The Directors
Badgerline Group plc
Badger Manor
Edingworth
Weston-super-Mare
BS24 0JA

The Directors
Lazard Brothers & Co., Limited
21 Moorfields
London
EC2P 2HT

10th November, 1993

Dear Sirs

Badgerline Group plc

We have examined the audited accounts of Badgerline Group plc ("the Company") and of its subsidiary companies (collectively referred to as "the Group") for the three and a half financial years ended 30th June, 1993. Our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

We have acted as auditors of the Group throughout the period covered by this report.

No audited accounts of the Group have been made up in respect of any period subsequent to 30th June, 1993.

The summarised financial statements set out at paragraphs 1 to 6 are prepared on the basis described in note 6.1 and are based on the audited accounts of the Group after making such adjustments as we consider necessary.

In our opinion these summaries give, for the purpose of the listing particulars, a true and fair view of the profits and cash flows and of the state of affairs of the Group for the periods and as at the dates stated.

1. Consolidated profit and loss accounts

The summarised consolidated profit and loss accounts of the Group for the three and a half years ended 30th June, 1993 are as follows:

		Year ended 31st December,			Six months ended 30th June,
		1990	1991	1992	1993
Turnover	Note	£000	£000	£000	£000
Continuing operations		110,618	126,606	126,784	63,878
Discontinued operations		2,650	2,232	244	—
	6.2	113,268	128,838	127,028	63,878
Operating costs	6.3	(94,942)	(103,631)	(101,680)	(51,155)
Gross profit	6.3	18,326	25,207	25,348	12,723
Administrative expenses	6.3	(11,212)	(14,936)	(15,617)	(7,672)
Operating profit/(loss)					
Continuing operations		7,165	10,231	9,799	5,051
Discontinued operations		(51)	40	(68)	—
		7,114	10,271	9,731	5,051
Loss on sale of Southend depot					
Continuing operations		—	—	(535)	—
Profit/(loss) on disposal of fixed assets					
Continuing operations		(7)	(91)	103	226
Discontinued operations		—	(242)	(47)	—
Release of provision for losses					
Discontinued operations		538	—	—	—
Amounts written off investments		—	(113)	—	—
Profit on ordinary activities before interest		7,645	9,825	9,252	5,277
Interest payable (net) and similar charges	6.4	(6,326)	(7,383)	(6,015)	(2,718)
Profit on ordinary activities before taxation	6.2, 6.5	1,319	2,442	3,237	2,559
Tax on profit on ordinary activities	6.6	(52)	(961)	(956)	(857)
Profit on ordinary activities after taxation		1,267	1,481	2,281	1,702
Minority interests		(1)	2	—	(2)
Profit for the financial period		1,266	1,483	2,281	1,700
Dividends	6.7	28	—	(495)	—
Retained profit for the financial period		1,294	1,483	1,786	1,700
Profit for the financial period retained in					
The Company		289	281	477	6,197
Subsidiary undertakings		1,005	1,202	1,309	(4,497)
		1,294	1,483	1,786	1,700
Earnings per share	6.8				
Basic		19.2p	22.5p	34.6p	25.8p
Fully diluted		19.2p	22.5p	32.5p	23.6p
Dividends per ordinary share	6.7	—	—	7.5p	—

2. Consolidated balance sheets

The summarised consolidated balance sheets of the Group at the end of each of the three and a half years ended 30th June, 1993 are as follows:

	Note	At 31st December, 1990 £000	1991 £000	1992 £000	At 30th June, 1993 £000
Fixed assets					
Tangible assets	6.9	56,464	52,039	50,283	51,977
Investments	6.9	113	—	—	—
		56,577	52,039	50,283	51,977
Current assets					
Stocks	6.10	16,803	17,866	18,819	19,214
Debtors	6.10	7,537	7,203	8,206	9,099
Investments	6.10	—	—	1,115	1,465
Cash at bank and in hand		1,299	2,041	1,317	1,792
		25,639	27,110	29,457	31,570
Creditors: amounts falling due within one year	6.11	(36,077)	(35,873)	(36,546)	(37,842)
Net current liabilities		(10,438)	(8,763)	(7,089)	(6,272)
Total assets less current liabilities		46,139	43,276	43,194	45,705
Financed by:					
Creditors: amounts falling due after more than one year	6.12	47,561	43,584	41,544	40,959
Provisions for liabilities and charges	6.13	3,433	3,354	3,526	3,219
Minority interests		7	5	5	7
Capital and reserves					
Called up share capital	6.14	1,320	1,320	1,320	1,320
Share premium account	6.15	304	304	304	304
Revaluation reserve	6.15	1,569	1,569	1,569	3,270
Goodwill reserve	6.15	(11,002)	(10,734)	(10,178)	(9,900)
Profit and loss account	6.15	2,947	3,874	5,104	6,526
Shareholders' funds		(4,862)	(3,667)	(1,881)	1,520
Total capital employed		46,139	43,276	43,194	45,705

3. Consolidated cash flow statements

The summarised consolidated cash flow statements of the Group for the three and a half years ended 30th June, 1993 are as follows:

	Note	Year ended 31st December, 1990 £000	1991 £000	1992 £000	Six months ended 30th June, 1993 £000
Net cash inflow from operating activities	6.20	5,735	15,499	13,566	8,551
Returns on investments and servicing of finance					
Interest paid (net)		(4,296)	(5,663)	(4,974)	(2,094)
Interest element of finance lease rental payments		(2,059)	(2,416)	(2,267)	(1,002)
Dividends paid		(366)	—	—	—
Net cash outflow from returns on investments and servicing of finance		(6,721)	(8,079)	(7,241)	(3,096)
Taxation					
Corporation tax (paid)/refunded		(2,580)	(81)	362	(8)
Investing activities					
Purchase of tangible fixed assets		(1,728)	(503)	(271)	(740)
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired)	6.26	(12,697)	—	—	—
Purchase of fixed asset investments		(113)	—	—	—
Purchase of current asset investments		—	—	(1,115)	(350)
Sale of tangible fixed assets		977	2,862	1,019	1,032
Net cash (outflow)/inflow from investing activities		(13,561)	2,359	(367)	(58)
Net cash (outflow)/inflow before financing		(17,127)	9,698	6,320	5,389
Financing					
New bank loans		14,400	175	—	—
Finance leases raised on owned assets		1,500	—	—	—
Other loans		3,500	—	—	—
Repayment of amounts borrowed		(2,511)	(1,799)	(2,990)	(1,871)
Capital element of finance lease rental payments		(3,976)	(4,910)	(5,066)	(1,932)
Net cash inflow/(outflow) from financing		12,913	(6,534)	(8,056)	(3,803)
(Decrease)/increase in cash and cash equivalents	6.22	(4,214)	3,164	(1,736)	1,586

4. Movements in shareholders' funds

The movements in shareholders' funds for the three and a half years ended 30th June, 1993 are as follows:

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Profit for the financial period	1,266	1,483	2,281	1,700
Dividends	28	—	(495)	—
Surplus on revaluation of properties	—	—	—	1,701
Goodwill written off	(15,129)	—	—	—
Adjustment to goodwill arising on previous acquisitions	(396)	(288)	—	—
Increase in share capital	126	—	—	—
Net (reductions)/additions to shareholders' funds	(14,105)	1,195	1,786	3,401
Shareholders' funds at beginning of period	9,243	(4,862)	(3,667)	(1,881)
Shareholders' funds at end of period	(4,862)	(3,667)	(1,881)	1,520

5. Statement of total recognised gains and losses

The statement of total recognised gains and losses for the three and a half years ended 30th June, 1993 is as follows:

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Profit for the financial period	1,266	1,483	2,281	1,700
Surplus on revaluation of properties	—	—	—	1,701
	1,266	1,483	2,281	3,401

6. Notes to the summarised financial statements

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the foregoing summarised financial statements throughout the period under review:

6.1 *Accounting policies*

(a) Basis of accounting

The summarised financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings. They have been prepared in accordance with applicable accounting standards.

(b) Consolidation

The summarised financial statements incorporate the accounts of the Company and its subsidiary undertakings.

The results of subsidiary undertakings have been included in the summarised financial statements under acquisition accounting principles from the effective date of acquisition.

(c) Goodwill

Purchased goodwill is written off in full in the period in which it arises.

Goodwill arising on consolidation (representing the difference between the fair value of consideration given and the fair value of net assets acquired) is written off direct to the goodwill reserve in the period in which it arises.

Transfers from the profit and loss account are made to extinguish the goodwill reserve over 20 years on a straight line basis.

Fair value accounting adjustments are made in respect of acquisitions and these may be made on provisional estimates. Amendments may be made in subsequent accounting periods to those adjustments with a corresponding adjustment to goodwill in the light of post-acquisition experience.

(d) Turnover

Turnover represents the amounts receivable for goods and services supplied to customers during the period.

(e) Fixed assets and depreciation

Depreciation is provided by the Group to write off the cost or valuation of tangible fixed assets over their estimated useful economic lives as follows:

Freehold land and buildings	50 years straight line
Long leasehold properties	50 years straight line
Short leasehold properties	period of lease
Conventional passenger carrying vehicles	15 years straight line
Coaches	12 or 15 years straight line depending on use
Minibuses and Midibuses	5, 7 or 12 years straight line depending on manufacturer
Other plant and equipment	3 to 5 years straight line

With effect from 1st July, 1993, the Group has discontinued the policy of depreciating freehold land.

(f) Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

(g) Government grants and subsidies

Rebates received in respect of duty paid on fuel are included against the cost of the fuel in operating costs. Amounts received for tendered services and concessionary fare schemes are included in turnover.

(h) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value.

The costs of property development work in progress include interest capitalised on loans raised to finance specific projects.

(i) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred tax is made only to the extent that it is probable that an actual liability will crystallise.

(j) Pension costs

Retirement benefits for most employees of undertakings in the Group are provided by defined benefit schemes, which are funded by contributions from Group undertakings and employees. The Group's contributions are charged to the profit and loss account based on recommendations by independent actuaries in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees.

6.2 *Segmental information*

The segmental information by activities of the Group, all of which are carried out in the United Kingdom, is as follows:

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Turnover				
Bus and other related activities	113,268	128,838	127,028	63,878
Property development	—	—	—	—
	113,268	128,838	127,028	63,878
Pre-tax profit/(loss)				
Bus and other related activities	1,435	3,137	4,323	2,830
Property development	(116)	(695)	(1,086)	(271)
	1,319	2,442	3,237	2,559

	At 31st December,			At 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Net assets/(liabilities)				
Bus and other related activities	6,379	8,387	10,459	13,981
Property development	(239)	(1,320)	(2,162)	(2,561)
	6,140	7,067	8,297	11,420
Goodwill reserve	(11,002)	(10,734)	(10,178)	(9,900)
	(4,862)	(3,667)	(1,881)	1,520

6.3 *Profit and loss account analyses*

(a) Operating costs

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Continuing operations	92,738	101,755	101,460	51,155
Discontinued operations	2,204	1,876	220	—
	94,942	103,631	101,680	51,155

(b) Gross profit

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Continuing operations	17,880	24,851	25,324	12,723
Discontinued operations	446	356	24	—
	18,326	25,207	25,348	12,723

(c) Administrative expenses

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Continuing operations	10,715	14,620	15,525	7,672
Discontinued operations	497	316	92	—
	11,212	14,936	15,617	7,672

6.4 *Interest payable (net) and similar charges*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
On bank loans and overdrafts and another loan wholly repayable within five years	4,224	4,802	3,999	1,695
Finance charges payable in respect of finance leases and hire purchase contracts	2,125	2,669	2,115	1,102
Income from short term deposits	(23)	(88)	(99)	(79)
	6,326	7,383	6,015	2,718

6.5 *Profit on ordinary activities before taxation*

The profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Auditors' remuneration as auditors	122	132	132	66
Payroll costs	68,178	78,784	77,489	38,555
Depreciation and other amounts written off tangible fixed assets	6,745	6,609	6,406	3,112
Hire of plant and machinery — rentals payable under operating leases	473	1,141	1,800	1,033
Hire of other assets — operating leases	894	890	1,076	595
Net rents receivable from property	(91)	(98)	(100)	(49)

The Directors' emoluments included in payroll costs above are as follows:

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Emoluments (including pension contributions)	341	362	375	179
Fees for services	15	15	26	13
Compensation for loss of office	—	—	—	15
	356	377	401	207

6.6 *Tax on profit on ordinary activities*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
United Kingdom corporation tax at 33 per cent. (1991: 33.25 per cent., 1990: 34.25 per cent.) on the profit for the period	—	395	654	1,154
Adjustments in respect of prior years	(345)	(122)	(352)	10
Transfer to deferred tax	397	688	654	(307)
	52	961	956	857

6.7 *Dividends*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Ordinary shares of 20 pence each — proposed	—	—	495	—
Adjustment in respect of prior year	(28)	—	—	—
	(28)	—	495	—
	pence	pence	pence	pence
Pence per share				
Ordinary shares of 20 pence each	—	—	7.5	—

The adjustment in respect of prior year on 1990 arises because of a waiver by the Badgerline Holdings Limited Share Trust of its right to receive the previous year's dividend in respect of shares held in the Company.

6.8 *Earnings per share*

Basic earnings per share are calculated on Group profit after taxation and after deducting minority interests, divided by the average number of shares in issue during each period, being 6,599,107 ordinary shares of 20 pence each (1990: 6,582,062).

The calculation of the fully diluted earnings per share is based on the average number of shares, after allowing for the exercise of all share options still in existence at the end of the period, as if they had been exercised at the beginning of the period or at the date granted if later, being 7,451,270 ordinary shares of 20 pence each (1992: 7,435,796, 1991: 7,526,147, 1990: 7,256,548). Earnings are used as in the basic calculation adjusted for interest earned on the amount receivable in respect of the exercised options.

6.9 *Fixed assets*

(a) Tangible fixed assets

	Cost or valuation	Accumulated depreciation	Net book value
At 30th June, 1993	£000	£000	£000
Land and buildings	18,706	213	18,493
Passenger carrying vehicle fleet	70,116	38,077	32,039
Other plant and equipment	7,309	5,864	1,445
	96,131	44,154	51,977
At 31st December, 1992	95,777	45,494	50,283
At 31st December, 1991	93,834	41,795	52,039
At 31st December, 1990	94,441	37,977	56,464

Land and buildings with an original cost of £16.719 million and net book value of £15.138 million are included in the summarised financial statements at a 1993 professional valuation of £18.195 million.The majority of the Group's properties were revalued by Chesterton, International Property Consultants, at 30th June, 1993. They were valued on the basis of open market value for existing use, except for seven properties which were valued on specific bases relating to their circumstances.

Nine of the Group's properties with a net book value of £0.298 million have not been revalued. These are (with one exception) short leasehold properties which serve a specific operational role and which management do not intend to dispose of in the foreseeable future. The Directors have decided to hold these properties at cost less accumulated depreciation.

The National Bus Company Limited holds charges over two freehold properties. If these properties are disposed of within ten years of their dates of acquisition (being September 1986 and August 1987), a proportion of the profits arising on the sale would be payable under the charges.

Included in the Group's total net book value of tangible fixed assets is £29.805 million in respect of the PCV fleet acquired under finance leases and hire purchase contracts and £0.282 million in respect of other plant and equipment acquired under finance leases and hire purchase contracts.

(b) Fixed asset investments

Details of the Group's principal subsidiary undertakings, together with the percentage owned and an indication of the nature of their business, are shown in paragraph 3 of Part 5 of the listing particulars.

6.10 *Current assets*

(a) Stocks

	At 31st December,			At 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Spare parts and consumables	2,302	2,143	1,972	1,905
Property development work in progress	14,274	15,632	16,775	17,231
Goods for resale	227	91	72	78
	16,803	17,866	18,819	19,214

Property development work in progress at 30th June, 1993 includes £3.824 million of interest capitalised on loans raised to finance specific projects of which £0.388 million relates to the six month period ended on that date.

Property development work in progress at 30th June, 1993 includes the Kensington Depot, Bath which is valued at cost together with capitalised interest. This property has been sold subject to planning permission for food retail use being granted. This sale remains dependent upon the outcome of a public inquiry which concluded on 20th January, 1993, the conclusions of which have not yet been published. The carrying value of the depot reflects the advice received by the Directors as to the expected outcome of the public inquiry. The alternative use value of the depot would be significantly lower than the value included in this report.

(b) Debtors

	At 31st December,			At 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Amounts due within one year				
Trade debtors	4,296	3,445	3,671	4,418
Other debtors	1,338	1,426	1,907	1,692
Prepayments and accrued income	1,587	1,923	2,313	2,145
	7,221	6,794	7,891	8,255
Amounts due after more than one year				
Other debtors	42	122	46	744
Prepayments and accrued income	274	287	269	100
	7,537	7,203	8,206	9,099

(c) Investments

	At 31st December,			At 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Medium term bank deposits	—	—	1,115	1,344
Unlisted	—	—	—	121
	—	—	1,115	1,465

The bank deposits have charges granted over them in favour of one of the Company's bankers. They can only be withdrawn under the terms of the facility agreement between the bank and the Company. The unlisted investment represents the cost of investment in Frontline Enterprises Limited.

6.11 *Creditors: amounts falling due within one year*

	At 31st December,			At 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Bank overdrafts	4,805	2,383	3,395	2,284
Bank loans	6,872	5,437	5,799	5,868
Other loan	—	3,500	3,500	3,500
Obligations under finance leases and hire purchase contracts	4,623	4,758	4,041	3,867
Dividend	—	—	495	495
Total financing	16,300	16,078	17,230	16,014
Trade creditors	6,593	5,693	6,077	6,872
Corporation tax	875	870	1,627	2,783
Other tax and social security	1,961	3,794	3,436	1,949
Other creditors	5,281	4,693	4,065	5,050
Accruals and deferred income	5,067	4,745	4,111	5,174
Total other	19,777	19,795	19,316	21,828
Total	36,077	35,873	36,546	37,842

6.12 *Creditors: amounts falling due after more than one year*

	At 31st December,			At 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Bank loans				
Due between one and two years	2,095	3,120	4,105	4,596
Due between two and five years	5,393	8,695	8,788	6,512
Due after five years	9,107	4,591	161	6
Obligations under finance leases and hire purchase contracts				
Due between one and two years	4,146	3,591	3,648	4,105
Due between two and five years	7,116	8,609	9,201	10,024
Due after five years	5,404	4,178	4,841	4,916
Fixed rate guaranteed loan notes				
Due between two and five years	2,000	2,000	2,000	2,000
Floating rate guaranteed loan notes				
Due between one and two years	8,800	8,800	8,800	8,800
Other loans				
Due between one and two years	3,500	—	—	—
	47,561	43,584	41,544	40,959

Certain of the bank overdrafts are secured on the assets of the Company and certain subsidiary undertakings, excluding properties. The amount of secured overdrafts at 30th June, 1993 was £2.272 million.

All bank loans are secured against the properties of the Group, together with all other assets of certain subsidiary undertakings. Other loans are unsecured. Bank loans, excluding those repayable within one year, are repayable by instalments over four years and six years. Interest is payable on these loans at between 8 per cent. and 14 per cent. per annum. Other loans are repayable on the earlier of 31st December, 1993 or the 5th working day after Listing, and bear an interest rate of 11 per cent. per annum.

All loan notes are unsecured.

The fixed rate loan notes bear an interest rate of 13 per cent. per annum and are repayable on 16th February, 1995, or earlier by the mutual consent of both parties.

The floating rate loan notes bear an interest rate of 0.75 per cent. per annum below Barclays Bank plc base rate, subject to a minimum rate payable of 11 per cent. per annum. The earliest redemption date for these loan notes was 12th April, 1992 and the latest date is 12th April, 2020. The loan note holders have agreed at an Extraordinary General Meeting on 8th November, 1993 to vary the terms of redemption from a notice period of 90 days to a notice period of one year and one day and accordingly these liabilities have been classified as "Amounts falling due after more than one year".

6.13 *Provisions for liabilities and charges*

	At 31st December,			At 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Deferred tax	1,752	2,925	3,486	3,179
Acquisition provisions	1,631	429	40	40
Provision for losses of subsidiary	50	—	—	—
	3,433	3,354	3,526	3,219

No provision is made for tax of £1.311 million which would arise on the disposal of revalued properties at their valuation. It is not the Directors' intention to dispose of the properties without reinvestment of the sale proceeds.

	30th June, 1993	
	Provided	*Unprovided*
	£000	*£000*
Accelerated capital allowances	2,707	1,084
Other timing differences	783	—
Trading losses	(167)	—
Advance corporation tax recoverable	(144)	—
Unrealised capital gains	—	1,311
	3,179	2,395

6.14 *Called up share capital*

	30th June, 1993	
	Authorised	*Allotted, called up and fully paid*
	£000	*£000*
Ordinary shares of 20 pence each	2,000	1,320

There were 6,599,107 ordinary shares of 20 pence each in issue at 30th June, 1993.

36,597 ordinary shares of 20 pence each were issued on 22nd June, 1990 as part of the consideration for the acquisition of Wessex of Bristol Limited and its subsidiary undertakings, details of which are shown in 6.25.(c).

6.15 *Reserves*

(a) Share premium account

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
At beginning of period	186	304	304	304
Arising on shares issued	118	—	—	—
At end of period	304	304	304	304

(b) Revaluation reserve

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
At beginning of period	1,569	1,569	1,569	1,569
Surplus on revaluation of properties	—	—	—	1,701
At end of period	1,569	1,569	1,569	3,270

(c) Goodwill reserve

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
At beginning of period	4,107	(11,002)	(10,734)	(10,178)
Arising in period and written off	(15,129)	—	—	—
Adjustment to prior periods	(396)	(288)	—	—
Amortisation	416	556	556	278
At end of period	(11,002)	(10,734)	(10,178)	(9,900)

The cumulative amount of positive and negative goodwill arising from acquisitions written off at 30th June, 1993 was respectively £15.838 million and £4.132 million.

(d) Profit and loss account

	Year ended 31st December,			Six months ended 30th June,
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
At beginning of period	2,069	2,947	3,874	5,104
Amortisation of goodwill reserve	(416)	(556)	(556)	(278)
Retained profit for the period	1,294	1,483	1,786	1,700
At end of period	2,947	3,874	5,104	6,526

(e) Badgerline Group plc distributable reserves

	At 31st December,			At 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Profit and loss account	562	843	1,320	7,517

6.16 *Contingent liabilities*

The Company has guaranteed bridging loans existing between banks and certain employees which have arisen due to the Group requiring those employees to relocate. At 30th June, 1993, the amount of guaranteed bridging loans outstanding was £0.147 million.

The Company has guaranteed both the principal and the interest arising on a £1.600 million medium term bank loan of the Badgerline Holdings Limited Share Trust.

6.17 *Commitments*

(a) Capital commitments

	At 30th June, 1993 £000
Contracted for but not provided	
1993 deliveries	10,265
Authorised but not contracted	
1993 deliveries	75
1994 deliveries	14,614
	24,954

(b) Operating leases

Commitments for payments in the next year under operating leases are as follows:

	At 30th June, 1993	
	Land and buildings	Other
	£000	£000
Operating leases which expire		
within one year	57	124
from two to five years	153	1,914
over five years	873	106
	1,083	2,144

6.18 *Pension schemes*

The Group operates seven defined benefit pension schemes, all of which are funded. All eligible employees are offered membership of the relevant scheme of their employer. Actuarial valuations of the schemes are carried out by independent actuaries on a regular basis. The latest valuations of the schemes were carried out at dates between January 1992 and April 1992 and reviewed by the Group's actuary as at 30th June, 1993. At the date of the actuarial valuations carried out in 1992 the market value of the schemes' assets totalled £38.012 million. The actuarial value of these assets was sufficient to cover 114 per cent. of the benefits which had accrued to the schemes' members. The surpluses, which amounted to £5.064 million, are being utilised by increasing the benefits offered to their members together with reductions in the Group's contributions to these schemes. The reduction in the Group's contributions is to be recognised over the average remaining working lives of members which is calculated by the actuary as being 13 years. This variation from the regular cost has reduced the charge to the profit and loss account by £0.305 million (1992: £0.642 million, 1991 and 1990: £Nil). A creditor of £0.308 million is included within the Group's consolidated balance sheet at 30th June, 1993 in

respect of the cumulative difference between contributions paid by Group undertakings into the schemes, and the charge within the profit and loss account.

Contributions are being paid to each of the schemes at the rates recommended by the actuaries and the assets of the schemes are held in separately administered trusts. The schemes' assets are held and managed independently of the Group's finances by independent investment managers appointed by the trustees of the schemes.

The same actuarial assumptions were used in all schemes in determining the costs used in these accounts. All the valuations were made using the projected unit method. They assumed that the rate of return on investments will be 10.5 per cent. per annum; the rate of earnings increase will be 7.5 per cent. per annum; the rate of dividend growth will be 6 per cent. per annum after allowing for no increase in the first year and the rate of inflation will be 5.5 per cent. per annum.

6.19 *Share options*

(a) Savings related share option scheme

The Company has a savings related share option scheme, which has been approved by the Inland Revenue under the terms of Schedule 9, Income and Corporation Taxes Act 1988. Options are granted to employees agreeing to open a Share Save Account with the Halifax Building Society, and to save either weekly or monthly for a five year period. The right to exercise the option is at the discretion of the employee at the end of the five year period. All existing options were issued in 1990 and the exercise price is £3.20 per share. The number of employees of Group undertakings saving under this scheme and the number of ordinary 20 pence shares issuable under their options at 30th June, 1993 are as follows:

	Employees	*Ordinary 20 pence shares*
At 30th June, 1993	668	383,913

(b) Executive share option scheme

The Company has an executive share option scheme which has been approved by the Inland Revenue under the terms of Schedule 9, Income and Corporation Taxes Act 1988. The right to exercise the option is at the discretion of the executive during the period between three and ten years after the option is granted. All options existing at 1st January, 1993 were issued in 1990 and the exercise price is £3.20 per share. On 27th May, 1993, additional share options were issued which comprised 64,000 additional share options to the four executives already having options and 95,000 share options to six additional executives. The exercise price of these options is also £3.20 per share. The number of executives of Group undertakings under this scheme and the number of ordinary 20 pence shares issuable under their options at 30th June, 1993 are as follows:

	Executives	*Ordinary 20 pence shares*
At 30th June, 1993	10	330,875

In addition to the options listed above, on 27th May, 1993, two of the executives were granted in total 25,000 share options at £3.20 per share. These options are outside the scope of the scheme due to Inland Revenue rules and hence are known as 'unapproved options'. However the terms of these options are the same as for the options within the scheme.

(c) Share options

During 1992 Hill Samuel Bank Limited agreed to reduce interest charges in exchange for a variation in the terms of its share option, which was granted in 1990. Under the revised terms of this option, the bank is entitled to purchase at a price of 60 pence per share, existing ordinary shares of 20 pence each, or to subscribe in cash at 60 pence per share for issue and allotment to it of new ordinary shares, such that its holding after the option is exercised will be 3.5 per cent. of the issued ordinary share capital.

The right to exercise this option is at the discretion of the bank. The period of the option is ten years, or until one year after all loans and after facilities made available to the Company by this bank have been repaid, whichever is earlier.

6.20 *Reconciliation of operating profit to net cash inflow from operating activities*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Operating profit	7,114	10,271	9,731	5,051
Depreciation charges	6,745	6,609	6,406	3,112
Profit on sale of operating fixed assets	(144)	(119)	(189)	(403)
(Increase)/decrease in stock	(5,786)	25	103	53
(Increase)/decrease in debtors	75	337	(964)	(473)
Increase/(decrease) in creditors	(527)	(372)	(1,132)	1,211
Decrease in provisions	(1,742)	(1,252)	(389)	—
Net cash inflow from operating activities	5,735	15,499	13,566	8,551

6.21 *Analysis of changes in cash and cash equivalents during the period*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
At beginning of period	708	(3,506)	(342)	(2,078)
Net cash inflow/(outflow)	(4,214)	3,164	(1,736)	1,586
At end of period	(3,506)	(342)	(2,078)	(492)

6.22 *Analysis of balances of cash and cash equivalents*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
At end of period				
Cash at bank and in hand	1,299	2,041	1,317	1,792
Bank overdrafts	(4,805)	(2,383)	(3,395)	(2,284)
	(3,506)	(342)	(2,078)	(492)
Change in period				
Cash at bank and in hand	591	742	(724)	475
Bank overdrafts	(4,805)	2,422	(1,012)	1,111
	(4,214)	3,164	(1,736)	1,586

6.23 *Analysis of changes in finance*

Loans and finance lease obligations

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
At beginning of period	19,563	59,056	57,279	54,884
Acquisition				
Loans and finance lease obligations acquired	7,923	—	—	—
Loan notes issued	10,800	—	—	—
Cash inflows/(outflows) from financing	12,913	(6,534)	(8,056)	(3,803)
Inception of finance lease contracts	7,857	4,757	5,661	3,113
At end of period	59,056	57,279	54,884	54,194

6.24 *Major non-cash transactions*

The Group entered into finance lease and hire purchase contracts in respect of assets with a total capital value of £3.113 million (1992: £5.661 million; 1991: £4.757 million; 1990: £7.857 million).

6.25 *Purchase of subsidiary undertakings*

	Year ended 31st December,			Six months ended 30th June,
	1990	1991	1992	1993
	£000	£000	£000	£000
Net assets acquired:				
Tangible fixed assets	21,522	—	—	—
Stocks	1,201	—	—	—
Debtors	3,718	—	—	—
Bank overdrafts	(3,395)	—	—	—
Bank loans	(2,578)	—	—	—
Corporation tax	(1,096)	—	—	—
Deferred tax	905	—	—	—
Obligations under finance leases and hire purchase contracts	(5,345)	—	—	—
Other creditors	(6,786)	—	—	—
Acquisition provisions	(3,041)	—	—	—
Minority interests	(6)	—	—	—
Goodwill	15,129	—	—	—
	20,228	—	—	—
Satisfied by:				
Shares including premium	126	—	—	—
Cash	9,302	—	—	—
Loan notes	10,800	—	—	—
	20,228	—	—	—

Acquisitions occurred on three dates during 1990 as follows:

(a) 16th February, 1990

On 16th February, 1990 the Company acquired all the ordinary shares of The South Wales Transport Company, Limited, AE & FR Brewer Limited and United Welsh Coaches Limited and 67 per cent. of the ordinary shares of Skillplace Training Limited.

The consideration given was £3.768 million in cash and £2.000 million in fixed rate guaranteed loan notes. The fair value of the net assets acquired was £2.432 million. The resulting goodwill on consolidation of £3.336 million was written off to the goodwill reserve in full. The fair value of the assets acquired was as follows:

	Book value	*Adjust-ments*	*Fair value to Group*
	£000	*£000*	*£000*
Tangible fixed assets	6,788	(438) (a)	6,350
Stocks	783	—	783
Debtors	1,812	—	1,812
Bank overdrafts	(745)	—	(745)
Corporation tax	(350)	—	(350)
Deferred tax	(658)	1,108 (b)	450
Other creditors	(5,401)	—	(5,401)
Acquisition provisions	—	(461) (c)	(461)
Other provisions	(96)	96 (d)	—
Minority interests	(6)	—	(6)
Net assets	2,127	305	2,432

Note

(a) Restatement of accumulated depreciation of PCVs to reflect revised useful economic lives and to comply with Group depreciation policies.

(b) Adjustment to Group accounting policy and the effect of other adjustments.

(c) Provisions for reorganisation and rationalisation costs, together with amounts for repairs and refurbishments of assets.

(d) Adjustment to Group accounting policy.

(b) 12th April, 1990

On 12th April, 1990 the Company acquired all the ordinary shares of Gurna Limited, together with its subsidiary, Eastern National Limited. On 29th July, 1990 the trade of Eastern National Limited was sub-divided. Approximately half the trade remained within Eastern National Limited and the balance was vested with another subsidiary, Thamesway Limited.

The consideration given for Gurna Limited was £5.083 million in cash and £8.800 million in floating rate guaranteed loan notes. The fair value of the net assets acquired was £2.698 million. The resulting goodwill on consolidation of £11.185 million was written off to the goodwill reserve in full.

The fair value of the assets acquired was as follows:

	Book value	*Adjust-ments*	*Fair value to Group*
	£000	*£000*	*£000*
Tangible fixed assets	14,745	(564) (a)	14,181
Stocks	343	—	343
Debtors	1,446	—	1,446
Bank overdrafts	(2,297)	—	(2,297)
Bank loans	(2,500)	—	(2,500)
Corporation tax	(746)	—	(746)
Deferred tax	—	412 (b)	412
Other creditors	(5,665)	—	(5,665)
Acquisition provisions	—	(2,476) (c)	(2,476)
Net assets	5,326	(2,628)	2,698

Note

(a) Restatement of accumulated depreciation of PCVs and land and buildings to comply with Group depreciation policies.

(b) Adjustment to Group accounting policy and the effect of other adjustments.

(c) Provisions for reorganisation and rationalisation costs including closure of travel agents business, together with amounts for repairs and refurbishment of assets.

(c) 22nd June, 1990

On 22nd June, 1990 the company acquired all of the ordinary shares of Wessex of Bristol Limited, together with its subsidiaries, Wessex National Limited, Wessex Travel Services Limited and Wessex Educational Travel Services Limited.

The consideration given was 36,597 ordinary 20 pence shares in the Company at a valuation of £3.40 per share, together with £0.429 million in cash. The fair value of the net liabilities acquired was £0.045 million. The resulting goodwill on consolidation of £0.598 million was written off to the goodwill reserve in full.

The fair value of the assets acquired was as follows:

	Book value	*Adjustments*	*Fair value to Group*
	£000	*£000*	*£000*
Tangible fixed assets	837	154 (a)	991
Stocks	75	—	75
Debtors	460	—	460
Bank overdrafts	(353)	—	(353)
Bank loans	(78)	—	(78)
Deferred tax	—	43 (b)	43
Other creditors	(1,079)	—	(1,079)
Acquisition provisions	—	(104) (c)	(104)
Net liabilities	(138)	93	(45)

Note

(a) Restatement of accumulated depreciation of PCVs to reflect revised useful economic lives and to comply with Group depreciation policies.

(b) Adjustment to Group accounting policy and the effect of other adjustments.

(c) Provisions for rationalisation including sale of business of Wessex Travel Services Limited, together with amounts for repairs and refurbishment of assets.

6.26 *Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings*

	Year ended 31st December,			*Six months ended 30th June,*
	1990	*1991*	*1992*	*1993*
	£000	*£000*	*£000*	*£000*
Cash consideration	9,302	—	—	—
Bank overdrafts of acquired subsidiary undertakings	3,395	—	—	—
	12,697	—	—	—

6.27 *Post balance sheet events*

(a) Share capital

On 30th July, 1993, 70,137 ordinary shares of 20 pence each were purchased by the Company for cash at £3.20 per share and were cancelled. On the same date, 70,137 ordinary shares of 20 pence each were issued in satisfaction of members' scrip dividend entitlements at £3.20 per share. The overall effect of these two transactions was to leave the issued share capital unchanged.

(b) Share option exercise

Two of the Directors have chosen to exercise (conditionally only upon the Placing and Offer Agreement becoming unconditional in all respects) certain options granted to them under the executive share option scheme in respect of an aggregate of 109,375 ordinary shares of 20 pence each at £3.20 per share and the Board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

(c) Other share capital changes

Pursuant to a special resolution of the Company passed on 8th November, 1993 and a resolution of the Board passed on 9th November, 1993 (both expressed to be effectively conditional upon Listing):

(i) each ordinary share of 20 pence of the Company is to be sub-divided into four ordinary shares of 5 pence each;

(ii) the authorised share capital is to be increased to £6 million divided into 120 million ordinary shares of 5 pence each; and

(iii) a sum equal to the nominal value of the issued share capital is to be appropriated from reserves and applied to satisfy a one-for-one bonus issue to members following the sub-division noted above.

(d) Share repurchases

By an agreement dated 9th November, 1993, between the Trustees of the Badgerline Limited Pension Scheme, the Trustees of the Badgerline Holdings Limited Share Trust, the Trustees of the Bramble Charitable Trust and the Company ("the Purchase Agreement"), the Company has agreed to purchase 2,149,144 ordinary shares of 5 pence each at a discount to the Issue price of 3 pence per ordinary share, conditional upon the bonus issue referred to above and the placing and offer being effected. Upon completion of the Purchase Agreement the shares purchased will be cancelled.

(e) Hill Samuel

Hill Samuel Bank Limited has agreed to exercise (conditionally upon the Placing and Offer Agreement becoming unconditional in all respects and the completion of the events set out in (c) above) an option granted to it to subscribe for three and a half per cent. of the total issued share capital of the Company (being 1,868,552 ordinary shares of 5 pence each) at 7.5 pence per share and the Board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

Yours faithfully

KPMG Peat Marwick

PART 5

Additional information

1. Incorporation

The Company was incorporated in England and Wales on 18th June, 1986 as a private company limited by shares under the Companies Act 1985 (the "Act") registered with number 2029363 and with the name Quayshelfco 135 Limited. The Company changed its name to Badgerline Holdings Limited on 1st September, 1986 and was re-registered under the Act as a public company limited by shares on 9th November, 1993 with the new name Badgerline Group plc.

2. Share capital

The authorised and issued share capital of the Company (all fully paid) as at the date hereof and as proposed after Listing and the Issue is as follows:

	Present		Proposed	
	Amount	Ordinary shares	Amount	Ordinary shares
	£	of 20p each	£	of 5p each
Authorised	2,000,000	10,000,000	6,000,000	120,000,000
Issued	1,319,821	6,599,107	4,317,189	86,343,786

Set out below is the history of the share capital of the Company:

(a) The company was formed with an authorised share capital of £100 and an issued share capital of £2 divided into 2 ordinary shares of £1 each.

(b) On 23rd September, 1986 its authorised share capital was increased to £166,825 and a further 166,823 ordinary shares of £1 each were issued for cash at par.

(c) On 21st May, 1987 the authorised share capital was increased to £2,000,000 divided into 2,000,000 ordinary shares of £1 each.

(d) On 27th July, 1987 a bonus issue of 5 ordinary shares of £1 each for every one ordinary share of £1 held was made. This increased the issued share capital to £1,000,950.

(e) On 28th April, 1988 201,213 ordinary shares of £1 each were issued in exchange for certain shares of Midland Red West Holdings Limited at £1.15 per share. This increased the issued share capital to 1,202,163 ordinary shares of £1.

(f) On 2nd September, 1988 20,000 ordinary shares of £1 each were issued for cash at £1.15 per share which increased the issued share capital to £1,222,163.

(g) On 28th December, 1988 27,839 ordinary shares of £1 each were issued for cash at £2.70 per share which increased the issued share capital to £1,250,002.

(h) On 13th March, 1989 50,000 ordinary shares of £1 each were issued in exchange for certain shares of Dolsett Estates Limited at £2.70 per share and a further 12,500 ordinary shares were issued for cash at £2.70 per share. This took the issued share capital to £1,312,502 divided into 1,312, 502 shares of £1 each.

(i) On 27th June, 1989 each £1 ordinary share was subdivided into 5 ordinary shares of 20p so that the issued share capital was £1,312,502 divided into 6,562,510 ordinary shares of 20p each.

(j) On 26th September, 1990 36,597 ordinary shares of 20p each were issued in exchange for certain shares in Wessex of Bristol Limited at £3.40 per share which increased the issued share capital to £1,319,821.40 divided into 6,559,107 ordinary shares of 20p each

(k) On 30th July, 1993 70,137 ordinary shares of 20p each were purchased by the Company for cash at £3.20 per share and such shares were cancelled. On the same date 70,137 ordinary shares of 20p each were issued in satisfaction of members scrip dividend entitlements at 20 per share. The overall effect of these two transactions left the issued share capital the same

(l) Two of the Directors have agreed to exercise (conditionally only upon the Placing and Offer Agreement referred to in paragraph 13 below becoming unconditional in all respects) certain options granted to them under the executive share option scheme referred to in paragraph 7(b) below in respect of an aggregate of 109,375 ordinary shares of 20p each at £3.20 per share and the Board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

(m) By or pursuant to a special resolution of the Company passed 8th November, 1993 and a resolution of the Board passed on 9th November, 1993 (both expressed to be conditional upon application being made for Listing and Cazenove & Co. confirming in writing to the Company that they expect Listing to occur within 48 hours of their confirmation and that they have not been notified of any reason why Listing should not occur):

(i) each ordinary share of 20p of the Company is to be sub-divided into 4 ordinary shares of 5p each;

(ii) the authorised share capital is to be increased to £6,000,000 divided into 120,000,000 ordinary shares of 5p each;

(iii) the directors are generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities (as defined in that section) up to a maximum nominal amount equal to one third of the value of the issued and committed share capital of the Company following the Issue such authority to expire on the day before the fifth anniversary of the date of the resolution of the Company (except as regards an allotment made pursuant to an offer or agreement by the Company before such date);

(iv) a sum equal to the nominal value of the issued share capital following the sub-division referred to in paragraph 2(m)(i) above is to be appropriated from reserves and applied in paying up in full at par of such number new ordinary shares of 5p each as are required to satisfy an issue to members in the proportion of one new ordinary share of 5p for each ordinary share of 5p held by them immediately following the sub-division referred to in paragraph 2(m)(i) above, such shares to be allotted at par and credited as fully paid by way of a bonus issue; and

(v) the directors are empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority referred to in paragraph 2(m) (iii) above as if section 89(1) of the Act did not apply to such allotment provided that the power is limited to:

a. the allotment of up to 45,000,000 new ordinary shares of 5p each pursuant to the Issue;

b. the allotment of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holding, subject only to such exclusions and other arrangements as the directors may deem necessary or expedient to deal with fractional entitlement or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise howsoever; and

c. the allotment (otherwise than as set out above) of equity securities for cash up to an aggregate nominal amount equal to 5 per cent. of the nominal value of the issued share capital following the Issue;

such power to expire on the earlier of the conclusion of the annual general meeting of the Company in 1994 and 30th September, 1994 (except as regards an allotment made pursuant to an offer or agreement made by the Company before such date).

(n) By an agreement dated 9th November, 1993, between the Trustees of the Badgerline Limited Pension Scheme (1), the Trustees of the Badgerline Holdings Limited Share Trust (2), the Trustees of the Bramble Charitable Trust (3) and the Company (4) ("the Purchase Agreement"), the Company has agreed to purchase 2,149,144 ordinary shares of 5p each at a discount to the issue price of 3p per ordinary share. The Purchase Agreement is conditional upon the allotment and issue of shares pursuant to the bonus issue referred to in paragraph 2(m)(iv) above and the Issue being effected or made. The Directors have resolved to complete the Purchase Agreement upon the same becoming unconditional but immediately following the allotment of the ordinary shares referred to in paragraph 2(l) and the allotment of ordinary shares of 5p referred to in paragraph 2(m)(iv) above. Upon completion of the Purchase Agreement the shares purchased will be cancelled.

(o) Hill Samuel Bank Limited has agreed to exercise (conditionally upon the Placing and Offer Agreement referred to in paragraph 13 below becoming unconditional in all respects and the completion of the Reorganisation (as defined in paragraph 2(t) below)) in full an option granted to it to subscribe for 3½ per cent of the total issued share capital of the Company (being 1,868,552 ordinary shares of 5p each) at 7½p per share and the Board has resolved that such shares be allotted immediately upon the exercise becoming unconditional.

(p) The effect of these transactions including those described in paragraphs 2(l), (m), (n) and (o) will, upon Listing, increase the issued share capital to £4,317,189 divided into 86,343,786 ordinary shares of 5p each.

(q) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2(m)(v) above. The disapplication set out in paragraph 2(m)(v) above will give the Directors limited flexibility to issue ordinary shares for cash following the Issue.

(r) No material issue of shares in the Company (other than pursuant to the Issue or to shareholders pro rata to their existing shareholdings) will be made within one year of the date of this document without the prior approval of the shareholders of the Company in general meeting.

(s) Save as disclosed in this paragraph 2 or in paragraphs 7 (Share option schemes) and 13 (Issue arrangements) below:

(i) in the three years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash to any person not being another member of the Group;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the three years preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company.

(t) Application has been made to the London Stock Exchange for Listing in respect of 53,387,264 ordinary shares of 5p each (representing the entire issued ordinary share capital of the Company following the issue of shares on the unconditional exercise of the options described in paragraphs 2(l) and (o) and the sub-division and bonus issue referred to in paragraphs 2(m)(i) and (iv) (together referred to as the "Reorganisation") and the 32,956,522 new ordinary shares of 5p each proposed to be issued by the Company as part of the Issue).

3. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company, all of which are incorporated and registered in England and Wales, at the date of this document, are:

Name	Registered office	Issued share capital (fully paid)	Shareholder	Principal activity
Badgerline Limited	Badger House Oldmixon Crescent Weston-super-Mare Avon BS24 9AY	2 ordinary shares of £1 each	Badgerline Buses Limited	Bus and coach operations in Avon, Wiltshire, Somerset and Gloucestershire
AE & FR Brewer Limited	Heol Gwyrosydd Penlan Swansea SA5 1BN	20,000 ordinary shares of £1 each	Company	Trades under the name Brewers Motor Services and United Welsh Coaches operating bus and coach services in South Wales
Bristol Omnibus Company Limited	Enterprise House Easton Road Bristol BS5 0DZ	5,500,000 ordinary shares of £1 each	Badgerline Buses Limited	Trades under the name City Line operating urban bus services in and around Bristol

Name	Registered office	Issued share capital (fully paid)	Shareholder	Principal activity
Eastern National Limited	New Writtle Street Chelmsford Essex CM2 0SD	550,000 ordinary shares of £1 each	Gurna Limited	Bus and coach services in North Essex
Frontline Enterprises Limited	New Bond Street London W1	100 ordinary shares of £1 each	Company	Bus and coach services in Staffordshire
Midland Red West Limited	Heron Lodge London Road Worcester WR5 2EW	1,890,000 ordinary shares of £1 each	Badgerline Buses Limited	Bus services around Birmingham and Hereford & Worcester
South Wales Transport Company, Limited	Heol Gwyrosydd Penlan Swansea SA5 1BN	1,029,794 ordinary shares of £1 each	Company	Trades under the name SWT operating bus and coach services in South Wales
Thamesway Limited	New Writtle Street Chelmsford Essex CM2 0SD	2 ordinary shares of £1 each	Company	Bus services in South Essex and within Greater London
Wessex National Limited	Premier House Sussex Street St. Philips Bristol BS2 0RB	1,260,000 ordinary shares of £1 each	Wessex of Bristol Limited	Coach services from central Bristol including a number of National Express services
Western National Limited	21a Pydar Street Truro Cornwall TR1 2AY	2 ordinary shares of £1 each	Western National Holdings Limited	Bus and coach services in South Devon and Cornwall
Dolsett Estates Limited	Badger Manor Edingworth Weston-super-Mare BS24 0JA	8,000 "A" ordinary shares of £1 each and 2,000 "B" ordinary shares of £1 each	Company	Property holding and development
Badger Retail Limited	Badger House Oldmixon Crescent Weston-super-Mare Avon BS24 9AY	2 ordinary shares of £1 each	Company	Retail newspaper and confectionery shops in and around Bristol
Skillplace Training Limited	Heol Gwyrosydd Penlan Swansea SA5 1BN	30,000 ordinary shares of £1 each	Company	Training PCV drivers in Wales
Badgerline Buses Limited	Badger Manor Edingworth Weston-super-Mare BS24 0JA	2 ordinary shares of £1 each	Company	Intermediate holding company
Gurna Limited	New Writtle Street Chelmsford Essex CM2 0SD	5,052,640 ordinary shares of 10p each	Company	Intermediate holding company

Name	Registered office	Issued share capital (fully paid)	Shareholder	Principal activity
Wessex of Bristol Limited	Premier House Sussex Street St. Philips, Bristol BS2 0RB	47,500 ordinary shares of £1 each	Company	Intermediate holding company
Western National Holdings Limited	21a Pydar Street Truro Cornwall TR1 2AY	1,000 ordinary shares of £1 each and 250 convertible participating preferred ordinary shares of £1 each	Company	Intermediate holding company

100 per cent. of the issued share capital of the above companies is beneficially owned by the shareholder specified with the exception of Skillplace Training Limited, where the percentage of shares held by the Company is approximately 66.7 per cent.

There are in addition to those listed above, a number of other subsidiary undertakings which were dormant throughout both the current year and the preceding year.

4. Memorandum and Articles of Association

(a) The Memorandum of Association of the Company provides that the Company's principal objects include the carrying on of business as a holding company. The objects of the Company are set out in full in paragraph 4 of its Memorandum of Association which is available for inspection at the addresses specified in paragraph 16 below.

(b) New Articles of Association were adopted by the Company on 8th November, 1993. The Articles of Association of the Company include provisions to the following effect:

Share capital

(i) The authorised share capital may be increased by ordinary resolution and reduced by special resolution.

(ii) All existing ordinary shares are and all ordinary shares to be issued pursuant to the Issue will be in registered form.

(iii) Transfers of shares should be:

a. duly stamped;

b. in respect of only one class of shares;

c. in favour of no more than 4 joint transferees;

d. signed by or on behalf of the transferor and (except in the case of a fully paid share) the transferee;

e. lodged at registered office of the Company (or such other place as the board may from time to time determine); and

f. accompanied by the relevant share certificate (except in limited circumstances) and such other evidence as the board may reasonably require to prove title and due execution.

(iv) The board may decline to register a transfer of any share:

a. which is not a fully-paid share;

b. over which the Company has a lien; or

c. (in certain circumstances) in respect of which the holder has failed to give the Company the information required by a notice served pursuant to section 212 of the Act.

(v) A shareholder may be disenfranchised where he, or a person appearing to be interested in shares, fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

Variation of rights

The rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three-quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of shares of the class. To every such separate meeting the provisions of the Articles relating to general meetings *mutatis mutandis* apply, but the necessary quorum is not less than two persons holding or representing by proxy one-third of the nominal amount paid up on the issued shares of the class.

Votes of members

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) is present by a representative has one vote for every share of any class of which he is the holder.

Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities. The board is to ensure that the aggregate amount for the time being outstanding in respect of the moneys borrowed or secured by the Group (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of the Company in general meeting, exceed an amount equal to three times the aggregate from time to time of the amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiary undertakings.

Directors

(i) A director is not required to hold any qualification shares.

(ii) The fees of the directors for their services as directors shall not exceed £100,000 or such other sum determined by the Company in general meeting and shall (unless otherwise determined) be divided among the directors as the board agrees and failing agreement equally. The directors are also entitled to be repaid all reasonable expenses incurred by them respectively in or about the performance of their duties as directors. If by arrangement with the board any director performs any special duties outside his ordinary duties as a director, the board may pay him special remuneration (in addition to any fees or ordinary remuneration) which may be by a lump sum or by way of salary, commission, participation in profits or otherwise.

(iii) A director may be appointed by the board to the office of managing director and/or any other office or place of profit under the Company (except that of auditor) for such period, on such terms and at such remuneration as the board may determine.

(iv) The board may establish and maintain any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were employees of any company in, or associated with, the Group or who are or were directors or officers of any such company and who hold or have held any salaried employment or office in such company, and the families and dependants of any such persons.

(v) No director or intending director is disqualified by his office from contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any director is in any way interested liable to be avoided, nor is any director so contracting or being so interested liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by the director at a meeting of the board.

(vi) Save as provided below, a director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.

(vii) A director is (in the absence of some other material interest than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters:

a. the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

b. the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

c. any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

d. any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him within the meaning of section 346 of the Act) is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;

e. any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes; or

f. any proposal concerning the adoption, modification or operation of an employees' share scheme (within the meaning of section 743 of the Act) under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes which relates both to directors and employees and does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such scheme relates.

(viii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately. In such case each of the directors concerned is entitled to vote (and will be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(ix) The Company may by ordinary resolution suspend or relax the provisions summarised under paragraphs (v), (vi), (vii) and (viii) above to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

Dividends

Subject to any special rights attaching to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid.

All dividends unclaimed for 12 years after having become due for payment shall (if the board so resolves) be forfeited and shall revert to the Company.

Untraced shareholders

In certain circumstances, the Company will be entitled to sell the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, all warrants and cheques sent to him during that period have remained uncashed.

Retirement of Directors

(i) The Articles of Association do not require a director to vacate his office on or by reason of his attaining or having attained the age of 70 and accordingly no special notice is required of any resolution appointing or approving the appointment of such a director.

(ii) The directors (other than the chairman and managing director) are required to retire by rotation.

Non-United Kingdom shareholders

There are no limitations in the Memorandum or Articles of Association on the rights of non-United Kingdom shareholders to hold, or exercise voting rights attached to, ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to the Company to which such notices may be sent.

Return of capital

On a winding-up of the Company, the balance of assets available for distribution shall, with the sanction of an extraordinary resolution of the Company, be divided among the members in such manner as shall be determined by the liquidator.

The above is a summary only of certain provisions of the Articles of Association the full provisions of which are available for inspection at the addresses specified in paragraph 16 below.

5. Directors' and other interests

(a) The interests of the Directors and of all persons connected (within the meaning of section 346 of the Act) with the Directors immediately prior to and following the Issue as required to be notified by each Director pursuant to Section 324 or 328 of the Act in the issued share capital of the Company and as they appear or will appear in the register maintained under the provisions of section 325 of the Act, are as follows:

	Number of ordinary shares of 5p each		Percentage of issued share capital
Director	**Pre Issue**	**Post Issue**	**post Issue**
T. Smallwood — beneficial	6,003,480	5,683,480	6.6
— non-beneficial	487,840	487,840	0.6
K. N. Ahlers — beneficial	4,821,600	4,501,600	5.2
— non-beneficial	672,024	672,024	0.8
C. W. Foreman	8,000	8,000	0.0
A. T. Higginson	Nil	Nil	0.0
J. McLaughlin	919,216	419,216	0.5
G. G. T. Varley	1,378,376	1,242,376	1.4
P. K. Williams	16,000	16,000	0.0
V. J. Woolley	1,188,072	796,768	0.9

(b) (i) The following Directors have been granted the following options to acquire shares in the capital of the Company under the terms of the executive share option scheme referred to in paragraph 7(b) below:

Director	Date granted	Number of ordinary shares of 5p each
J. McLaughlin	May 1993	132,000
V. J. Woolley	May 1993	100,000
G. G. T Varley	May 1990	375,000
	May 1993	160,000
K. N. Ahlers	May 1990	125,000
	May 1993	120,000

(ii) The following Directors have been granted the following options to acquire shares in the capital of the Company under the unapproved share option scheme referred to in paragraph 7(c) below:

Director	Date granted	Number of ordinary shares of 5p each
J. McLaughlin	May 1993	160,000
V. J. Woolley	May 1993	40,000

(iii) J. McLaughlin has been granted an option to acquire 14,760 ordinary shares of 5p each in the capital of the Company pursuant to the save as you earn option scheme referred to in paragraph 7(a) below.

(iv) The options referred to in sub-paragraphs (i), (ii) and (iii) were originally granted at £3.20 per share in respect of ordinary shares of 20p each but, in accordance with the rules of the relevant scheme or agreement, following the Reorganisation the options will be exercisable in relation to the number of ordinary shares of 5p each referred to above at 40p per share.

(c) Save as disclosed in sub-paragraphs (a) and (b) above, none of the Directors will, immediately following the Issue, have any interest in the share or loan capital of the Company.

(d) In addition to their interests disclosed in sub-paragraph (a) above, the Directors are aware of the following interests as defined in sections 203 and 208 of the Act which will represent 3 per cent. or more of the issued share capital of the Company as enlarged immediately following the Issue (taking account of all ordinary shares to be sold in the Placing and the Offer):

Shareholder	Number of ordinary shares of 5p each	Percentage of issued share capital
Carson Trustee Company Limited	5,443,696	6.3
J. C. Noonan (including wife)	4,464,000	5.2
C. P. Snowden (including wife)	3,600,000	4.2
Hill Samuel Bank Limited	2,775,748	3.2

Of the total holding of Carson Trustee Company Limited 4,459,808 ordinary shares (5.2 per cent.) are held on trust for Trevor Smallwood and Keith Ahlers and are included in the beneficial interests of those two Directors in the table in paragraph 5(a) above.

(e) Certain major shareholders of the Company (including some of the Directors, namely T. Smallwood, J. McLaughlin, K. N. Ahlers, V. J. Woolley and G. G. T. Varley and persons connected with them) who will, following the Issue, continue to hold significant numbers of ordinary shares representing, in aggregate 26 per cent. of the total issued share capital have undertaken to Lazard Brothers not to dispose of any interest in any shares held by them and to use reasonable endeavours to ensure that persons connected or associated with them do not dispose of any interest in any shares held by such persons:

(i) for the period up to the date of despatch to shareholders in the Company of the annual report and accounts of the Group for the financial year ending 31st December, 1994, otherwise than with the consent of Lazard Brothers (such consent not to be unreasonably withheld after 10th May, 1994); and

(ii) for one year thereafter, otherwise than through Cazenove & Co.

(f) No loans are outstanding from any member of the Group to any of the Directors and there are no guarantees provided by any member of the Group for their benefit.

(g) No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected during the current or immediately proceeding financial year or were effected during any earlier financial year and remain in any respect outstanding or unperformed.

6. Directors' service agreements and emoluments

(a) The aggregate remuneration and benefits in kind of the Directors in respect of the year ended 31st December, 1992 was £401,000. The aggregate remuneration and benefits in kind of the Directors in respect of the financial period ending 31st December, 1993 under the arrangements in force at the date hereof is expected to be £415,000.

(b) The following Directors have entered into service agreements with the Company. In each case, his current annual salary is set out against his name below:

Director	Annual salary
T. Smallwood	£79,250
G. G. T. Varley	£63,500
J. McLaughlin	£63,250
K. N. Ahlers	£51,000
V. J. Woolley	£48,000

Each service agreement is dated and commenced on 1st August, 1993 and continues for an initial period of 2 years until 31st July, 1995 and thereafter unless or until terminated by either party giving the other not less than 24 months' notice in writing. The salaries of the Directors referred to above are subject to review on 1st January, 1994 and thereafter annually in January. In addition to salary the Company, at its discretion, may pay to the Directors referred to above a bonus of such amount as may be determined by the Board in respect of each complete financial year of the Company.

(c) Save as disclosed in paragraph 6 (b) above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries which do not expire or are not determinable by the employing company without payment of compensation (other than statutory compensation) within one year.

7. Share option schemes

(a) Save as you earn share option scheme

On 5th April, 1990 the Company adopted a savings-related share option scheme ("the SAYE Scheme") which has been approved under Part I of Schedule 9 Income and Corporation Taxes Act 1988 by the Board of the Inland Revenue.

The principal features of the SAYE Scheme, the terms of which are set out in full in the Rules of the Scheme and which is administered by the board, are as follows:

(i) Eligible employees

All full-time employees (including executive directors) of the Group who have been so employed for at least one year and are resident in the United Kingdom are eligible to participate in the SAYE Scheme.

(ii) Offers of options

Options to subscribe for ordinary shares of the Company may be offered to participants in the 30 days following the date of notice of the annual general meeting of the Company although they may not be offered prior to the fixing of the price in accordance with the provisions summarised in paragraph (iii) below.

Contemporaneously with acquiring options under SAYE Scheme each participant is required to enter into a savings contract to make regular savings with either the Department of National Savings or an approved building society over a 5 or 7 year period (contracts are all currently with the Halifax Building Society). At the end of 5 years, contributions together with a tax free bonus may be used, on exercise of his option, to subscribe for ordinary shares at the price fixed when his option was granted. The option lapses if the participant fails to comply with the terms of the savings contract.

The maximum number of ordinary shares to be made available on any occasion is set by the board and on each occasion invitations to join the SAYE Scheme must be made to all eligible employees. If there is an over-application for options, applications are scaled down.

The number of ordinary shares the subject of an option is determined by dividing the sum due on completion of the savings contract (inclusive of the tax-free bonus) by the subscription price.

Nothing is payable on the grant of an option under the SAYE Scheme and options may not be transferred or assigned.

(iii) Subscription price

The price per ordinary share at which options may be exercised is determined by the board but may not be not less than the greater of the nominal value of the ordinary shares and the market value of such share.

(iv) Exercise of options

Options will normally be exercisable by the participant only within the 6 months following the fifth anniversary of the savings contract. Earlier exercise is permitted in the event of a takeover (although in this event there are provisions which may entitle the participant to release his option in exchange for an option over the acquiring company's shares), a reconstruction of the Company or if the participant's employment terminates by reason of his death, injury, disability, retirement or redundancy. There are time limits within which early exercise of options in such circumstances must be made, failing which the options lapse. Except in these circumstances, options will lapse if the participant ceases to be employed by the Group within three years after the grant of an option.

(v) Voting, dividend and other rights

Shares allotted and issued following exercise of an option will rank *pari passu* with the ordinary shares then in issue, save as regards dividends payable by reference to a record date prior to the date of issue. The Company must apply to the London Stock Exchange for the ordinary shares issued on exercise of the options pursuant to the SAYE Scheme to be admitted to the Official List. The Company must at all times keep available sufficient authorised and unissued share capital to satisfy outstanding options.

(vi) Scheme limits

The maximum number of ordinary shares which may be issued pursuant to options granted under the SAYE Scheme may not exceed 10 per cent. of the issued ordinary share capital of the Company.

An individual employee's participation in the SAYE Scheme is limited in that he may not save more than the current statutory limit for the time being in force (presently £250 per month but £150 per month when options were granted) for the purposes of the SAYE Scheme.

(vii) Amendments

The number, nominal amount and class of ordinary shares subject to any option are subject to appropriate adjustment in the event of any capitalisation or rights issue by the Company or any consolidation, sub-division or reduction of the Company's share capital.

The board has the power to amend the SAYE Scheme at any time (subject to the prior approval of the Board of the Inland Revenue) but certain provisions may not be amended to the advantage of current or prospective participants in the SAYE Scheme without the prior consent of the Company in general meeting.

(viii) Termination

The Scheme may be terminated at any time by the board.

At 31st October, 1993 options under the SAYE Scheme to subscribe for a total of 379,526 ordinary shares of 20p each of the Company exercisable at £3.20 per share have been granted and are still subsisting in favour of employees. All such options were granted in May 1990 and no new options have been granted since 31st October, 1993. Following the Reorganisation the options will be in relation to 3,036,208 ordinary shares of 5p exercisable at a price of 40p per share.

(b) Executive share option scheme

On 5th April, 1990 the Company adopted an executive share option scheme ("Executive Scheme") which has been approved under the provisions of Part 1 of Schedule 9 Income and Corporation Taxes Act 1988 by the Board of the Inland Revenue. The principal features of the Executive Scheme, which are administered by the board and the terms of which are set out in full in the rules of the Executive Scheme, are as follows:

(i) Eligible employees

Participants in the Executive Scheme will be such full-time employees (including executive directors) of the Group as the board may from time to time nominate.

(ii) Offers of options

Options to subscribe for ordinary shares may be offered to participants in the 30 day period following the date the notice of the annual general meeting of the Company for any period, although they may not be granted prior to the fixing of the price in accordance with the provisions summarised in paragraph (iii) below. Nothing is payable on the grant of an option and options may not be transferred or assigned.

(iii) Subscription price

The price per ordinary share at which options may be exercised is the market value of the ordinary shares prior to the grant of the option as agreed with the Board of the Inland Revenue subject to a minimum of the nominal value of the ordinary shares.

(iv) Exercise of options

Options are exercisable by the participant at any time between the third and tenth anniversaries of the date of grant.
Options will lapse if the participant ceases to be employed by the Group.

(v) Voting, dividend and other rights

Shares allotted and issued following exercise of an option will rank *pari passu* in all respects with the ordinary shares then in issue, save as regards rights existing by reference to a record date prior to the date of issue. The Company must apply to the London Stock Exchange for the ordinary shares issued on the exercise of options pursuant to the Executive Scheme to be admitted to the Official List. The Company must at all times keep available sufficient authorised and unissued share capital to satisfy outstanding options.

(vi) Scheme limits

An individual employee's participation in the Executive Scheme is limited so that the price payable by him on the exercise of his option in full may not exceed whichever is the greatest of (a) a sum equal to 4 times the higher of the current annual rate of his relevant emoluments (b) a sum equal to 4 times the relevant emoluments paid to him in the previous 12 months and (c) £100,000.

(vii) Amendments

The number, nominal amount and class of ordinary shares subject to any option are subject to appropriate adjustment in the event of any capitalisation or rights issue by the Company or any consolidation, sub-division or reduction of the Company's share capital.

The board has the power to amend the Executive Scheme at any time, subject to the prior approval of the Board of the Inland Revenue.

(viii) Change of contr

On a change of control of the Company, an option may, with the consent of the acquiring company, be exchanged for an equivalent option in the acquiring company. An option will be treated as equivalent if the same option price is payable, shares in the acquiring company of an equivalent value may be obtained and the new option is otherwise on the same terms.

(ix) Termination

The Executive Scheme may be terminated at any time by the board or by the Company in general meeting passing an ordinary resolution.

At the date of this document, options under the Executive Scheme to subscribe for a total of 330,875 ordinary shares of 20p each of the Company exercisable at £5.20 per share have been granted and are still subsisting to 10 employees. The options were granted in May 1990 in respect of 171,875 ordinary shares of 20p each and in May 1993 in respect of the remaining 159,000 ordinary shares of 20p each. Certain of the options granted will be exercised as part of the Reorganisation. Following the Reorganisation (including the exercise of options) the options which remain subsisting will be in relation to 1,772,000 ordinary shares of 5p each exercisable at 40p per share.

(c) Unapproved share options

In May, 1993 options were granted to J. McLaughlin over 20,000 ordinary shares of 20p each and V. J. Woolley over 5,000 ordinary shares of 20p each exercisable at a price of £3.20 for each ordinary share of 20 pence. It was not possible for these options to be granted to the individuals concerned under the Executive Scheme without exceeding the limits required for approval by the Board of the Inland Revenue pursuant to Part I of Schedule 9 Income and Corporation Taxes Act 1988 but the options are otherwise subject to the same rules as the Executive Scheme.

(d) Undertaking

The Directors have undertaken to the London Stock Exchange to propose resolutions at the next annual general meeting of the Company to make minor amendments to the two approved schemes to comply with certain requirements of the London Stock Exchange.

8. Taxation

(a) On the basis of advice received, the Directors believe that immediately following the Issue the Company will not be a close company (as defined in the Income and Corporation Taxes Act 1988).

The Directors have been advised that no transactions have been undertaken in preparation for the flotation which, when considered in conjunction with the sale of shares at flotation, are transactions falling within the provisions of Section 703 of the Income and Corporation Taxes Act 1988. Advance clearance has been sought from the United Kingdom Inland Revenue under the provisions of Section 707 of the Income and Corporation Taxes Act 1988 in respect of certain aspects of the purchase by the Company of its own shares as described in paragraph 2(n) of Part 5.

(b) Advance Corporation Tax

(i) Under current United Kingdom tax legislation, the Company does not have to withhold any tax from dividend payments. However, when paying a dividend, the Company generally has to account to the United Kingdom Inland Revenue for an amount of advance corporation tax ("ACT") at a rate which is, for the fiscal year 1993/94, equal to 9/31sts of the dividend paid and for the fiscal year 1994/95 will be equal to 20/80ths of the dividend paid. Accordingly, the ACT related to a dividend is an amount equal to 22.5 per cent. of the sum of the cash dividend and the ACT in the fiscal year 1993/94 and 20 per cent. of that sum in the fiscal year 1994/95.

(ii) For shareholders resident in the United Kingdom for tax purposes, a tax credit is available to shareholders for the fiscal year 1993/94 equal to 20/80ths of the dividend paid. An individual shareholder who is resident in the United Kingdom for tax purposes will be required to include the dividend and associated tax credit in calculating his total income for United Kingdom tax purposes, but may set off the tax credit against his income tax liability. The dividend (including the associated tax credit), will be treated as the top slice of the shareholder's income and, to the extent that it does not exceed the threshold for basic or lower rate tax, income tax will be chargeable on the amount of the dividend plus the associated tax credit at the lower rate of 20 per cent. so no further tax will be payable in respect of the dividend (the tax credit matching the income tax liability). To the extent that a dividend (including the associated tax credit), again treated as the top slice of the shareholder's income, exceeds the threshold for higher rate tax, income tax will be chargeable on the amount of the dividend plus the associated tax credit at the higher rate of 40 per cent. (less the amount of the associated tax credit) giving rise to additional tax of 20 per cent. in respect of the dividend plus the associated tax credit. To the extent that his total tax credits exceed his overall income tax liability, an individual shareholder may claim to have the excess paid to him by the Inland Revenue. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received from the Company and it may, in general, be able to treat the dividend received and associated tax credit as franked investment income.

(iii) Shareholders who are not resident in the United Kingdom are not generally entitled to a tax credit in respect of dividends received from the Company. Such a shareholder may be entitled to payment from the Inland Revenue of a proportion of the tax credit if there is an appropriate provision in an applicable double tax convention or if the shareholder is a Commonwealth citizen or falls into certain other categories. Any shareholder who is not resident in the United Kingdom should consult his own tax adviser as to whether he is entitled to claim payment of any part of the tax credit, the procedure for doing so and what relief or credit may be claimed in the jurisdiction in which he is subject to tax.

The above statements are intended as a general guide to current United Kingdom law and practice. Any person who is in any doubt as to his tax position should consult his professional adviser.

9. Working capital

The Directors are of the opinion that, after taking into account available bank facilities and the net proceeds of the Issue, the Group has sufficient working capital for its present requirements.

10. Litigation

Neither the Company nor any member of the Group is or has been engaged in any legal or arbitration proceedings which may have, or have had during the twelve months immediately preceding the date of this document, a significant effect on the Group's financial position nor are there any such proceedings pending or threatened against the Company or any of its subsidiaries.

11. Material contracts

(a) By an Agreement dated 22nd January, 1991 ("the 1991 Safeway Variation Agreement") between Dolsett (1) the Company (2) and Safeway plc (which has changed its name to Safeway Stores plc) ("Safeway") (3) the provisions of the 1990 Property Safeway Agreement (referred to below) were varied. The agreement dated 30th March, 1990 ("the 1990 Safeway Property Agreement") between Dolsett (1) the Company (2) and Safeway (3), which has not yet been completed, provides for the following:

(i) the sale by Dolsett (subject to certain conditions) of certain freehold land known as the Kensington Bus Depot, Bath, Avon and certain adjoining land ("the Kensington site") to Safeway for a cash consideration partly paid on completion and the balance deferred pending Dolsett giving vacant possession following termination of the lease-back referred to in paragraph 11(a)(iv) below;

(ii) the sale to be conditional, *inter alia*, upon:

a. Safeway obtaining detailed planning consent satisfactory to Safeway for the redevelopment of the Kensington site as a new Safeway store;

b. the acquisition by Dolsett of a small area of land within the Kensington site; and

c. the purchase by Dolsett of a suitable alternative site for a new bus depot ("the Relocation Condition");

(iii) termination of the agreement by, *inter alia*, either party on notice if, originally, the conditions thereto were not satisfied or waived before the Long Stop Date, being the earlier of 31st December, 1990 ("the Cut-off Date") and the date 6 months after the grant of outline planning permission satisfactory to Safeway for the development of the new store on the Kensington site; and

(iv) the grant by Safeway of a lease-back to the Company of part of the Kensington site upon completion of the sale for a period of 6 months at a nominal rent.

The 1991 Safeway Variation Agreement varied the 1990 Safeway Property Agreement:

(i) by changing the Cut-off Date to the date of any decision being made on any planning appeal against a refusal of outline planning consent in relation to the development of a new Safeway store on the Kensington site; and

(ii) by increasing the consideration payable on the sale by reference to the Index of Retail Prices from 1st April, 1991 if no satisfactory outline planning permission was obtained by 1st April, 1991.

(b) By an agreement dated 20th August, 1992 ("the 1992 Safeway Variation Agreement") the 1990 Safeway Property Agreement was varied, *inter alia*,:

(i) by extending the Long Stop Date to 30th June, 1997;

(ii) by changing the method of calculating the consideration as set out below;

(iii) by providing that, in order to acquire a site which would satisfy the Relocation Condition (subject to necessary planning consents), the parties would enter into the arrangements referred to below in paragraph 11(d), 11(e) and 11(f) in relation to the Weston Island site;

(iv) by providing that, upon completion of the purchase of the Kensington site by Safeway, Dolsett would purchase the Weston Island site from Safeway for a consideration equal to the consideration paid by Safeway plus the costs of acquisition, certain expenditure incurred during Safeway's ownership of the Weston Island site and interest on such costs and expenditure and by providing that, pending completion of the purchase of the Weston Island site by Dolsett, Dolsett would undertake certain obligations in relation to maintenance of the Weston Island site;

(v) by providing that, upon payment by Dolsett to Safeway of the consideration for the purchase of the Weston Island site, Dolsett, would, in addition, pay £200,000 to Safeway by way of contribution to Safeway's planning costs incurred in relation to the Kensington site, and

(vi) by providing that Dolsett would have access to the Weston Island site to undertake certain works and Safeway would lend to Dolsett an amount equal to the cost of such works up to a specified maximum and by providing that such loan plus simple interest (rolled up to the date of repayment) be repaid by way of deduction from the deferred consideration payable under the 1990 Safeway Property Agreement.

The consideration for the sale will now be such as supports the value of the Kensington site in the accounts of the Group but in the event of Tesco Stores Limited (or any company within the same group) being granted planning permission for a new store at the Bath Rugby Club ground at Lambridge, Bath, Avon the consideration payable would be reduced and result in a loss on disposal of the Kensington site of £4 million after tax. In each case a third of the consideration would be deferred on the basis described in paragraph 11(a)(i) above.

(c) By an agreement dated 2nd October, 1992 ("the 1992 Prudential Variation Agreement") between the Company (1) Badgerline Limited ("BL") (2) Dolsett (3) The Prudential Assurance Company Limited ("PACL") (4) two previous agreements were varied.

(i) The first agreement dated 24th March, 1988 ("the 1988 Prudential Property Agreement") made between the Company (1) BL (2) and PACL (3) originally provided for the following:

a. the sale by the Company of certain freehold land known as Manvers Street Bus Station, Bath, Avon (the "Manvers Street site") to PACL for a total consideration of £4,500,000 but subject to the grant of a lease-back for a nominal rent by PACL to the Company for an initial period up to 24th March, 1993. As provided in the Agreements on the expiry of such initial term a further lease was entered into on 29th March, 1993 for 25 years at an open market rent but determinable on 28 days notice by PACL to the Company if the condition referred to in sub-paragraph (d) below is satisfied or, upon payment to the Company of £950,000 (index

linked), if planning permission for the development of the Manvers Street site is obtained. In addition the lease is determinable at any time by the Company on 28 days' notice to PACL.

b. the sale by the Company of the Kensington Bus Depot, being part of the Kensington site, for a total consideration of £2,500,000 but subject to the grant of a leaseback by PACL to the Company for an initial period up to 24th March, 1990;

c. the development by PACL of a new site in Bath as a new bus station for the Company (which would, upon completion of the development, be let to the Company for a nominal rent);

d. PACL to pay to the Company a disturbance allowance not exceeding £3,000,000 as compensation to the Company for moving its bus station and depot to their respective new sites;

e. PACL to pay up to £2,350,000 (plus interest) to the Company so that the Company could acquire a new site or sites for its bus depot of which £1,000,000 was paid on 28th March, 1989; and

f. PACL to apply for planning permission both for the proposed new site for the bus station and depot and the development of the Kensington Bus Depot.

By the 1992 Prudential Variation Agreement (as part of the consideration given by the Company for the variations of the 1989 Prudential Property Agreement referred to below) the Company and BL agreed that the 1988 Prudential Property Agreement would be varied so that PACL would have the option of developing either of two proposed new sites for the new bus station and also so that PACL would no longer have to progress applications for planning consent as originally provided.

(ii) The second agreement dated 22nd December, 1989 ("the 1989 Prudential Property Agreement") made between PACL (1) the Company (2) BL (3) and Dolsett (4) originally provided for the following:

a. the sale by PACL of the Kensington Bus Depot and certain other adjoining land to Dolsett for a total consideration of £6,500,000 of which £3,000,000 was paid in cash on completion and the balance of £3,500,000 (together with interest accrued thereon) was to be paid on 1st January, 1992 ("the Payment Date") or upon the earlier sale of the Kensington Bus Depot and such adjoining land. Payment of such deferred sum being guaranteed by the Company;

b. Dolsett to endeavour to procure that a suitable bank bond would be issued to PACL in relation to the deferred payment; and

c. the release of PACL from certain residual obligations under the 1988 Prudential Property Agreement relating to the Kensington Bus Depot (including the balance of the payments referred to in paragraphs 11(c)(i) d. and e. above).

By the 1992 Prudential Variation Agreement PACL agreed that the 1989 Prudential Property Agreement would be varied by postponing the Payment Date to 1st April, 1993, by capitalising the accrued interest up to the date of the 1992 Prudential Variation Agreement, by providing that interest would be paid on such capitalised sum from then on quarterly in arrears and by releasing Dolsett from its obligations to procure a bank bond. As additional consideration to PACL for the variation of the 1989 Prudential Property Agreement, the Company, BL and Dolsett gave certain undertakings to PACL, *inter alia*, in relation to the extent of new investment and borrowings and in relation to creation of new charges or other security.

(d) By an agreement dated 15th October, 1992 between PHL Estates Limited (1) Dolsett (2) the Company (3) ("the Weston Island Purchase Agreement") Dolsett agreed to purchase certain freehold property known as Weston Island, Lower Bristol Road, Bath, Avon ("the Weston Island site") from PHL Estates Limited for a total consideration of £1,250,000. Further consideration would be payable upon the implementation of any planning permission obtained within 5 years of completion for a change of use of the Weston Island site for any use other than certain specified uses including, *inter alia*, use as a bus depot. Dolsett also agreed to contribute towards the cost of certain works. The Company guaranteed the obligations of Dolsett under this Agreement.

(e) By an agreement dated 15th October, 1992 between Dolsett (1) and Safeway (2) Dolsett agreed to sell the Weston Island site to Safeway for the same consideration as that payable under the Weston Island Purchase Agreement and otherwise on similar terms to the Weston Island Purchase Agreement.

(f) By a deed of indemnity dated 29th October, 1992 between Safeway (1) Dolsett (2) the Company (3) Safeway indemnified the Company and Dolsett against all further liabilities under the Weston Island Purchase Agreement.

(g) By an agreement dated 29th March, 1993 ("the First 1993 Prudential Variation Agreement") between the Company (1) BL (2) Dolsett (3) and PACL (4) the 1989 Prudential Property Agreement was further varied to postpone the Payment Date to 1st October, 1993 (with interest being paid quarterly, as before) and to provide that upon any breach of the 1988 Prudential Property Agreement, the 1989 Prudential Property Agreement, the 1992 Prudential Variation Agreement or the First 1993 Prudential Variation Agreement the full amount owing to PACL would become immediately repayable.

(h) By an agreement dated 22nd October, 1993 made between Dolsett (1) and J F Finnegan Limited ("JFF") (2), Dolsett granted an option to JFF to acquire certain land known as the City Motors Site, Marlborough Street, Bristol. The consideration for the option is £10,000 payable on its grant and a further £10,000 payable on each of the first and second anniversaries. The purchase price upon completion of the sale (following exercise of the option) will be £1,250,000 and there are provisions for a further payment to be made upon a subsequent disposal by JFF, such further payment being calculated by reference to the open market value of the property at the time of such disposal after deducting the initial consideration and the costs of development.

(i) By an agreement dated 2nd November, 1993 ("the Second 1993 Prudential Variation Agreement") between the Company (1) BL (2) Dolsett (3) and PACL (4) the 1989 Prudential Property Agreement was further varied to postpone the Payment Date to the earlier of 31st December, 1993 and the fifth working day after Listing.

(j) By a deed dated 9th November, 1993 ("the Deed") between the Company (1) and Hill Samuel Bank Limited ("Hill Samuel") (2) the provisions of an instrument dated 12th April, 1990 ("the Instrument") between the Company (1) and Hill Samuel (2) constituting up to £8,800,000 floating rate guaranteed loan notes were amended in accordance with the terms of the Instrument. The Instrument originally stated that:

(i) the Instrument was guaranteed by Hill Samuel until 12th April, 2000 with an obligation on the Company to use best endeavours to obtain further guarantees of the Company's obligations under the Instrument;

(ii) interest would be payable at the higher of 0.75 per cent. below the base rate of Barclays Bank Plc from time to time and 11 per cent. per annum; and

(iii) the notes created by the Instrument were redeemable on the expiry date of any guarantee of the Instrument and in any event on 12th April, 2020 or by any noteholder giving not less than 90 days' previous written notice to the Company.

The Deed amended the Instrument so that the notice which noteholders are required to give to redeem their notes is extended to one year and a day provided that if at any time the unexpired term of any guarantee of the Instrument falls below 9 years, the notes will be repayable on 90 days' notice. Hill Samuel has extended the existing guarantee to 12th April, 2003 and the Company has undertaken to use best endeavours to extend the existing guarantee each year by one year or replace it.

(k) By the Purchase Agreement referred to and defined in paragraph 2(n) above (being an agreement approved and authorised by special resolution of the Company passed on 9th November, 1993), the Company agreed to purchase 2,149,144 ordinary shares of 5p each at a price equal to the Issue price less 3p per share. The agreement is conditional upon:

(i) the allotment and issue of shares pursuant to the bonus issue referred to in paragraph 2 (m)(iv) above; and

(ii) the Issue being effected or made.

(l) The Placing and Offer Agreement details of which are set out in paragraph 13 below.

12. Consents

(a) Lazard Brothers has given and not withdrawn its written consent to the issue of this document with the inclusion of its letter and references to its letter and to its name in the form and context in which they are included.

(b) KPMG Peat Marwick have given and have not withdrawn their written consent to the issue of this document with the inclusion of their letter and report and the references to such letter and report and to their name in the form and context in which they are included.

(c) R. Watson & Sons have given and have not withdrawn their written consent to the issue of this document with the inclusion of their name and references thereto in the form and context in which they are included.

13. Issue arrangements

(a) By an agreement (the "Placing and Offer Agreement") dated 10th November, 1993 between the selling shareholders (1), the Directors (2), the Company (3) and Lazard Brothers (4), Lazard Brothers has agreed (conditionally upon, *inter alia*, Listing on or before 26th November, 1993 or such later date as may be agreed between the Company and Lazard Brothers):

(i) as agent for the selling shareholders to use its reasonable endeavours to procure purchasers for the 7,621,048 ordinary shares to be sold by the selling shareholders ("Sale Shares") pursuant to the Placing and the Offer; and

(ii) as agent for the Company to use its reasonable endeavours to procure subscribers for the 32,956,522 new ordinary shares ("Subscribed Shares") to be issued by the Company pursuant to the Placing and the Offer,

in each case at the Issue price or, to the extent that it is unable to procure such purchasers and subscribers, itself to purchase the Sale Shares and subscribe for the Subscribed Shares in each case at the Issue price.

(b) Under the Placing and Offer Agreement:

(i) the selling shareholders will pay Lazard Brothers a commission of two per cent. of the aggregate value (at the Issue price) of the 2,667,366 Sale Shares which are subject to the Offer and the Company will pay Lazard Brothers a commission of two per cent. of the aggregate value (at the Issue price) of the 11,534,784 Subscribed Shares which are subject to the Offer. Out of such commissions, Lazard Brothers will pay commissions to sub-underwriters and to Cazenove & Co., brokers to the Issue;

(ii) the selling shareholders will pay Lazard Brothers a commission of one per cent. of the aggregate value (at the Issue price) of the 4,953,682 Sale Shares which are subject to the Placing and the Company will pay Lazard Brothers a commission of one per cent. of the aggregate value (at the Issue price) of the 21,421,738 Subscribed Shares which are subject to the Placing. Out of such commissions, Lazard Brothers will pay a commission to Cazenove & Co.; and

(iii) Lazard Brothers will, in addition, receive a fee of £250,000 from the Company after Listing as remuneration for its services in connection with the Issue.

Value Added Tax will, where appropriate, be paid on the commissions and fee.

(c) The number of ordinary shares being sold by or on behalf of the selling shareholders is as follows:

Name	No. ordinary shares
M. Walker	2,608,695
Hill Samuel Bank Limited	1,558,356
J. McLaughlin	500,000
C. P. Snowden	474,000
V. J. Woolley	391,304
F. C. & J. P. Noonan	336,000
K. N. Ahlers	320,000
T. & C. Smallwood	320,000
Carson Trustee Company Limited	244,000
C. P. & F. E. Dollery	240,000
G. G. T. Varley	136,000
P. J. & H. Edwards	130,434
P. A. & B. J. Hussey	96,000
C. J. & L. F. Carr	95,652
R. W. & J. Holland	64,000
J. A. & M. S. Curtis	56,521
A. J. & G. M. Peters	40,000
C. M. & K. Horler	10,086
Total	7,621,048

(d) The Company will pay costs, charges and expenses connected with the Issue, including all fees and expenses payable in connection with the preparation, printing, publication, advertising and distribution of this document, the capital reorganisation, the fees of the receiving bankers and registrars, and professional costs, charges and expenses, except that the selling shareholders will be responsible for any stamp duty liabilities arising in respect of the Sale Shares sold by them under the Placing and Offer Agreement.

(e) The Placing and Offer Agreement contains warranties by the Directors and the Company in favour of Lazard Brothers and an indemnity from the Company in favour of Lazard Brothers in relation to the Offer. The Directors have covenanted with the Company and with Lazard Brothers to indemnify the Company and its subsidiaries in respect of certain liabilities to taxation.

(f) The Placing and Offer Agreement may be terminated by Lazard Brothers before Listing in certain circumstances.

14. Licences and other arrangements

It is a legal requirement that an operator of buses and coaches must hold a valid operator's licence. These licences are granted by the relevant Traffic Commissioners for up to five years depending on the standing of the operator. Each subsidiary of the Company which operates PCVs holds a current 5 year standard operator's licence for national and international operations (the widest form of licence) except Midland Red West. Midland Red West's licence expired at the end of May 1993. It has applied for a new licence (and did so before the expiry of the old licence) but the Traffic Commissioners have not yet issued a licence. In these circumstances an operator is permitted to continue to operate under the terms of the previous licence.

Appropriate registrations with the Traffic Commissioners for the relevant area have been made for the local bus services operated by companies in the group.

15. General

(a) The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Full statutory financial statements of the Company for each financial period since incorporation to which the financial information relates and on which the auditors, KPMG Peat Marwick, gave unqualified reports, have been delivered to the Registrar of Companies. The auditors have also audited the financial statements of the Company for the six months ended 30th June, 1993.

(b) Lazard Brothers, a member of the Securities and Futures Authority Limited, is registered in England and Wales with No. 162175 and its registered office is at 21 Moorfields, London EC2P 2HT.

(c) There has been no significant change in the financial position of the Group since 30th June, 1993, the date to which the last audited accounts were made up.

(d) Of the price being paid to the Company for the new shares being issued by the Company and subscribed pursuant to the Issue, 5p represents the nominal value and 110p represents a premium.

(e) The total costs and expenses payable by the Company in connection with the Issue are estimated to amount to £1.9 million (exclusive of Value Added Tax)

(f) In accordance with normal principles of English law, the rights available to persons contracting with the Company in relation to the new ordinary shares being issued by the Company and subscribed under the Issue may differ from those available to persons contracting with the selling shareholders in relation to issued ordinary shares.

16. Documents available for inspection

Copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB and at the office of Burges Salmon, Narrow Quay House, Prince Street, Bristol BS1 4AH during usual business hours on weekdays (Saturdays and public holidays excepted) for the period of 14 days following the date of this document:

(a) the Memorandum of Association of the Company;

(b) the Articles of Association of the Company which become effective on Listing;

(c) the audited accounts of the Company for each of the two years ended 31st December, 1992;

(d) the letters from Lazard Brothers and KPMG Peat Marwick set out in Part 3 of this document;

(e) the report by KPMG Peat Marwick set out in Part 4 of this document together with the related statement of adjustments;

(f) the Directors' service agreements referred to in paragraph 6 above;

(g) the rules of the share option schemes referred to in paragraph 7 above;

(h) the material contracts referred to in paragraph 11 above; and

(i) the written consents referred to in paragraph 12 above.

10th November, 1993

PART 6

Procedure for application

1. Terms and conditions of application

1. The contracts arising from acceptance of applications under the Issue will be conditional, *inter alia*, on (i) Listing occurring on or before 26th November, 1993 (or such later date as Lazard Brothers and the Company may agree but in any event not later than 31st December, 1993), (ii) the obligations of Lazard Brothers under the Placing and Offer Agreement referred to in paragraph 13 of Part 5 of this document (the "Prospectus") becoming wholly unconditional and (iii) the Placing and Offer Agreement not being terminated in accordance with its terms before the making of the announcement referred to in (i) above. Cheques or banker's drafts for amounts payable on application may be presented for payment before such conditions are satisfied and, if such conditions are not satisfied, application moneys will be returned (without interest) by returning the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the applicant(s) entitled to it. In the meantime, application moneys will be kept by the receiving bankers in a separate bank account. It is expected that Listing will occur on 26th November, 1993.

2. Subject to these terms and conditions, Lazard Brothers reserves the right to reject in whole or in part or to scale down any applications including, without limitation, multiple or suspected multiple applications or any application considered by Lazard Brothers to have been made by a nominee (unless such application is accompanied by written confirmation of the identity of the intended beneficial owner) and to reject any application from (or suspected to be from) or made on behalf of (or suspected to be made on behalf of) a US or Canadian person. Lazard Brothers also reserves the right to present any cheques or banker's drafts for payment on receipt. If any application is not accepted, or is accepted for fewer ordinary shares than the number applied for, the application moneys or, as the case may be, the balance of the application moneys will be returned (without interest) by sending the applicant's cheque or banker's draft or a crossed cheque for the balance in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the applicant(s) entitled to it. Lazard Brothers reserves the right to treat as valid and binding upon the applicant(s) any application, even if the accompanying Application Form or Preferential Application Form is not completed in all respects in accordance with instructions or is not accompanied by a power of attorney where necessary. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared by noon on 23rd November, 1993.

3. The Offer is being made by Lazard Brothers as agent both of the Company and the selling shareholders. Applications must be made on the accompanying Application Form or (to the extent that persons are eligible as described in sub-paragraph 4 below) on a Preferential Application Form. By completing and delivering an Application Form or a Preferential Application Form you as the applicant(s) and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation and, in the case of sub-paragraph (f) below, you:

   (a) offer to subscribe for and/or purchase the number of ordinary shares specified in your Application Form or Preferential Application Form (or such smaller number for which the application is accepted) at the Issue price and on the terms and subject to the conditions set out in the relevant form (of which these Terms and Conditions of Application form part) and subject to the Prospectus and the Memorandum and Articles of Association of the Company;

   (b) authorise Lloyds Bank Registrars to send a share certificate for the number of ordinary shares for which your application is accepted and/or a crossed cheque for any moneys returnable (without interest) by post, at the risk of the person(s) entitled to it, to your address (or, in the case of joint applicants, to that of the first-named applicant as set out in your Application Form or Preferential Application Form) and to do all things necessary to procure that your name (together with the name(s) of any joint applicant(s)) is/are placed on the register of members of the Company in respect of such ordinary shares for which your application is accepted;

   (c) in consideration of the Company and the selling shareholders agreeing that they will not prior to 26th November, 1993 (or such later date as Lazard Brothers and the Company may agree) issue or sell any of the ordinary shares offered to any person other than by means of the procedures referred to in the Prospectus and of Lazard Brothers agreeing that it will consider and process applications for the ordinary shares in accordance with the procedures referred to in the Prospectus and as a collateral contract between you, Lazard Brothers, the Company and the selling shareholders which will become binding on despatch by post to or, in the case of applications delivered by hand, receipt by Lloyds Bank Plc of the Application Form or Preferential Application Form:

      (i) agree that your application may not be revoked until after 31st December, 1993;

      (ii) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate in respect of the ordinary shares applied for or to enjoy or receive any rights or distributions in respect of any ordinary shares unless and until you make payment in cleared funds for such ordinary shares and such payment is accepted by Lazard Brothers (which acceptance shall be in its absolute discretion and on the basis that you indemnify

both the Company, Lazard Brothers and the selling shareholders against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by Lazard Brothers of such late payment in respect of such ordinary shares, Lazard Brothers may (on behalf of the Company) and/or the selling shareholders may (without prejudice to any other rights which they may have) avoid the agreement to sell such ordinary shares to you and may sell such ordinary shares to some other person without liability to you or any other person, in which case you will not be entitled to any refund or payment in respect of such ordinary shares (other than the return at your risk of such late payment);

(iii) agree promptly, on request, to disclose in writing to Lazard Brothers any information which it may request in connection with your application and authorise Lazard Brothers to disclose any information relating to your application it may consider appropriate; and

(iv) agree that any share certificate to which you may become entitled and any moneys to be returned to you may be retained pending clearance of your remittance or pending investigation of any suspected breach of the warranties contained in sub-paragraphs (f), (h), (i), (j), (k), (m), (n), (o), (p), (q) or (u) below and that such moneys will not bear interest;

(d) agree that in respect of those ordinary shares for which your application has been received and is not rejected, allocation of such ordinary shares to you shall be constituted, at the election of Lazard Brothers (on behalf of the selling shareholders and the Company), by notification to the London Stock Exchange of the basis of allocation;

(e) agree that all applications, acceptances of applications and contracts resulting from them under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the rights of Lazard Brothers, the Company or the selling shareholders to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications or contracts in any other manner permitted by law or in any court of competent jurisdiction;

(f) warrant that, if you sign an Application Form or Preferential Application Form on behalf of somebody else or a corporation, you have the authority to do so and such person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application;

(g) confirm that in making this application neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to the Company or to any other member of the Group other than such as is contained in the Prospectus and you accordingly agree that neither Lazard Brothers nor the Company nor the Directors nor the selling shareholders nor any other person acting on behalf of any of them nor any person responsible solely or jointly for the Prospectus, or any part of it, shall have any liability for any such information or representation;

(h) warrant that no other application (other than an application under the terms of the Preferential Application Form) is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, that no other application is being made by you (other than an application as aforesaid) as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any other person or persons as aforesaid;

(i) warrant that you are not a US person as such term is used in Regulation S under the United States Securities Act of 1933 and are not applying on behalf of, or with a view to re-offer, sale, renunciation, transfer or delivery to, or for the account or benefit of, any US person;

(j) warrant that you are not a Canadian person and are not acquiring ordinary shares for the account of any Canadian person or with a view to re-offer or re-sale in Canada or to any Canadian person, (as used herein "Canadian person" means any individual resident in Canada, any corporation, partnership or firm organised under or governed by the laws of Canada or any political sub-division thereof (except for a branch of such entity located outside Canada), any branch in Canada of a corporation, partnership or firm incorporated or established outside Canada and any investment fund, estate or trust organised under or governed by the laws of Canada or any political sub-division thereof);

(k) warrant that you will not offer or sell any ordinary shares, directly or indirectly, in Japan or New Zealand or to or for the benefit of any resident of Japan or New Zealand except pursuant to applicable Japanese or New Zealand laws and regulations as the case may be;

(l) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have notice of all information concerning the Company or any other member of the Group contained therein;

(m) warrant that you are not applying as, or as a nominee or agent for, a person who is or may be liable to stamp duty or stamp duty reserve tax under any of Sections 67, 70, 93 or 96 of the Finance Act 1986 (depositary receipts and clearance services);

(n) warrant that you are not applying as, or as a nominee or agent for, a person who is a market maker in the ordinary shares of the Company within the meaning of Section 81 of the Finance Act 1986. If you are unable to give this warranty, please state the date on which application for registration as a market maker in respect of the ordinary shares was made to the London Stock Exchange and confirm that the purchase is being made in the ordinary course of business as market maker;

(o) warrant that you are not applying for registration as, or as a nominee or trustee for, a body of persons established for charitable purposes only. If you are unable to give this warranty, please state the name of the charity and its registered number (where applicable);

(p) warrant that you are not, and are not applying on behalf of, a person who is under 18 years of age on the date of your application other than for the benefit of a minor as described in the Guide to the Application Form;

(q) warrant that, in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory, other than United Kingdom stamp duty or stamp duty reserve tax, and that you have not taken any action or omitted to take any action which will or may result in all or any of: Lazard Brothers; the Company; the selling shareholders; or any of their respective directors, officers, agents or employees acting in breach of the regulatory or legal requirements of any territory in connection with the Issue or your application;

(r) agree that Lazard Brothers will not treat you as its customer by virtue of such application being accepted and that Lazard Brothers will not be responsible to you for providing to you the protections afforded to its customers and accordingly will not owe you any duties or responsibilities concerning the price of the ordinary shares or concerning the suitability of such ordinary shares for you as an investment;

(s) agree that your Application Form or Preferential Application Form is addressed to Lazard Brothers, the Company and the selling shareholders;

(t) authorise the Company or Lazard Brothers or their agents to do all things necessary to effect registration into your name(s) of any ordinary shares subscribed or acquired by you and authorise any representative of the Company or Lazard Brothers to execute and/or complete any necessary transfer or other document of title;

(u) warrant, in the case of an application made on a Preferential Application Form, (i) that you are (or, if you are signing on behalf of another person, that other person is) an eligible employee as defined in sub-paragraph 4 below and that the Preferential Application Form is completed and delivered solely for the account of the applicant and not directly or indirectly, in whole or in part, for and on behalf of any other person (save that an eligible employee may apply jointly with his/her spouse) and (ii) that only one application has been made by you or on your behalf on a Preferential Application Form;

(v) authorise Lazard Brothers or any person authorised by Lazard Brothers on your behalf to make such returns to the Inland Revenue in relation to stamp duty reserve tax (if any) payable on any contract arising on acceptance of your application and in relation to stamp duty (if any) payable on any transfer of shares as a result of such contract; and

(w) authorise Lloyds Bank Plc or Lazard Brothers or their agents to do all things necessary to effect registration into your name(s) of any ordinary shares subscribed for or acquired (as the case may be) by you and authorise any representative of Lloyds Bank Plc or Lazard Brothers to execute and/or complete any document of title required therefor.

4. Preferential consideration will be given to applications on Preferential Application Forms for an aggregate maximum of 1,420,215 ordinary shares (10 per cent. of the ordinary shares which are the subject of the Offer). All employees of the Group on 3rd November, 1993 are eligible to apply for shares on Preferential Application Forms. Eligible employees who are under 18 on 19th November, 1993 may not apply in their own right but a parent, grandparent or guardian of such a person may apply for the benefit of such a person. Persons eligible to apply on such forms may also make a single application on a public Application Form. The Directors have absolute discretion to decide in individual cases whether the eligibility conditions have been satisfied. Excess applications on Preferential Application Forms will be treated as having been made on a public Application Form.

5. No person receiving a copy of this document or an Application Form or Preferential Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements and without any action being required on the part of Lazard Brothers, the Company or any selling shareholder for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by a person outside the United Kingdom wishing to make an application for ordinary shares that he has satisfied himself as to full observance of the laws of any relevant territory in connection with the application including obtaining any requisite governmental or other consents which may be required and complying with any requisite formalities, and paying any issue, transfer or other taxes due in any such territory in respect of any ordinary shares subscribed for or acquired under the Offer. The Prospectus and the other documents relating to the Issue have not been submitted to the clearance procedures of any European or other authorities other than the relevant authorities in the United Kingdom. Lazard Brothers reserves the right, in its absolute discretion, to reject any application made by or on behalf of a person outside the United Kingdom.

6. The ordinary shares have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and, subject to certain exemptions, ordinary shares may not be offered or sold within the United States. The terms and conditions of application incorporate a warranty that the applicant is not in the United States of America and is not applying on behalf of, or with a view to re-offer, sale, transfer or delivery to, or for the benefit of, any person in the United States of America. In addition, until 40 days after the date of this document, an offer or sale of the ordinary shares within the United States of America by any dealer (as defined in the Securities Act) whether or not participating in the Issue may violate the registration requirements of the Securities Act.

7. The dates and times referred to in these Terms and Conditions of Application may be altered by Lazard Brothers so as to be consistent with the Placing and Offer Agreement (as the same may be altered from time to time in accordance with its terms).

2. Basis of acceptance, documents of title and dealing arrangements

Applications must be sent by post or delivered by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Issue Section, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE so as to be received not later than 10.00 a.m. on 19th November, 1993. The application list will open at 10.00 a.m. on 19th November, 1993 and will close as soon thereafter as Lazard Brothers may determine.

The basis on which applications have been accepted will be announced as soon as possible after the application list closes. Subject to the arrangements for employees described in sub-paragraph 4 above, the basis of allocation for applications under the Offer will be determined by Lazard Brothers in its absolute discretion. An applicant may be allocated new ordinary shares allotted by the Company and/or existing ordinary shares sold by selling shareholders or any of them in such proportions as Lazard Brothers in its absolute discretion may determine. In accordance with the normal principles of English law, the remedies available to persons contracting with the Company to subscribe for new ordinary shares may differ from those available to persons contracting with selling shareholders to purchase ordinary shares. Any contract created by acceptance of an application (whether in whole or in part) shall constitute a separate contract for the subscription by the relevant applicant of the ordinary shares offered for subscription by the Company and/or a separate contract for the purchase by the relevant applicant of the ordinary shares offered for sale on behalf of selling shareholders, and the terms and conditions set out in this document shall be construed accordingly.

Dealings in the ordinary shares are expected to commence on 26th November, 1993. Temporary documents of title will not be issued. It is expected that definitive share certificates will be posted by first class post to successful applicants on 25th November, 1993. Dealings prior to receipt of definitive share certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all or that Listing may not take place. The ordinary shares will all be in registered form.

3. Stamp duty and stamp duty reserve tax

Each applicant warrants that he is not applying as, or as a nominee or agent for, a person who is or may be liable to stamp duty or stamp duty reserve tax ("SDRT") at a rate higher than 50p per £100 referred to, in the case of stamp duty, in Section 67 (depositary receipts) or Section 70 (clearance services) or, in the case of SDRT, Section 93 (depositary receipts) or Section 96 (clearance services) of the Finance Act 1986

On this basis the Directors have been advised that:

(a) in relation to the new ordinary shares being issued by the Company no charge to stamp duty or SDRT will arise on the allotment of ordinary shares to successful applicants or on the issue of definitive share certificates to successful applicants except where Sections 93 or 96 of the Finance Act 1986 apply;

(b) in relation to the ordinary shares being sold by the selling shareholders a charge at the rate of 50p per £100 (or part thereof) of the Issue price will arise on the transfer of ordinary shares to successful applicants. Any liability to SDRT in respect of the transfer of ordinary shares to such applicants by the selling shareholders pursuant to the Offer will be discharged at the expense of the selling shareholders; and

(c) a subsequent transfer on sale of registered ordinary shares will be liable to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) SDRT, generally in each case at the rate of 50p per £100 or part of £100 of the consideration paid. Such duty will be the responsibility of the purchaser.

The above statements are intended as a general guide only as to current United Kingdom law and practice. Any person who is in any doubt as to his tax position should consult his professional adviser.

Guide to the Application Form

The following instructions should be read in conjunction with the Application Form.

1. **Insert your full name and address in BLOCK CAPITALS in Box 1.**
Applications may only be made by persons aged 18 or over. However, a parent, grandparent or guardian of a person under 18 may apply for the benefit of that minor. To apply for the benefit of a minor, you should put your own name in full in Box 1 and complete the minor's details box within Box 1 with the full names and date of birth of the minor. You are not thereby precluded from making a single separate application for your own benefit. See notes 6 and 7 for joint applications.

2. **Insert in Box 2 (in figures) the number of ordinary shares for which you are applying.**
Your application, which must be for a minimum of 200 ordinary shares, should be in one of the amounts or multiples set out below:

No. of ordinary shares for which you are applying	Your payment at 115p per ordinary share
200	£230
300	£345
400	£460
500	£575
600	£690
700	£805
800	£920
900	£1,035
1,000	£1,150

No. of ordinary shares for which you are applying	Your payment at 115p per ordinary share
1,500	£1,725
2,000	£2,300
2,500	£2,875
3,000	£3,450
3,500	£4,025
4,000	£4,600
4,500	£5,175
5,000	£5,750

Applications for more than 5,000 ordinary shares must be in one of the following multiples:
- for not more than 10,000 ordinary shares, in multiples of 1,000 shares;
- for not more than 100,000 ordinary shares, in multiples of 5,000 shares; or
- for more than 100,000 ordinary shares, in multiples of 10,000 shares.

Applications for any other numbers or multiples of ordinary shares may be rejected.

3. **Insert in Box 3 (in figures) the amount of your payment.**
The amount of your cheque or banker's draft should be the Issue price of 115p multiplied by the number of ordinary shares inserted in Box 2. If your application is for up to 5,000 ordinary shares, the amount inserted in Box 3 should be the appropriate figure from the right hand column on the tables above.

4. **Sign and date the Application Form in Box 4.**
The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)), if duly authorised by power of attorney to do so, but any power of attorney pursuant to which this is done (or a duly certified copy thereof) must be enclosed for inspection.
A corporation should sign under the hand of a duly authorised officer whose representative capacity must be stated.

5. **You must affix to this completed Application Form a single cheque or banker's draft for the full amount payable.**
Your cheque or banker's draft must be payable to "Lloyds Bank Plc — A/C Badgerline Group" for the amount payable on application inserted in Box 3 and should be crossed "A/C Payee only".
No receipt will be issued for this payment which must be solely for this application.
Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a settlement member of the Cheque and Credit Clearing Company or the CHAPS & Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through either of those companies or those committees and must bear the appropriate sort code in the top right hand corner.
Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the first person named in Box 1.
If you are applying on a Preferential Application Form and a public Application Form, you must affix a separate cheque or banker's draft to each completed form.

6. **You may apply with up to three other persons.**
If you do so, you must arrange for the full names and addresses of each joint applicant (up to a maximum of three other persons, in addition to the first applicant) to be put in BLOCK CAPITALS in Box 6. A certificate in the names of the joint applicants will be sent to the applicant named in Box 1.
If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your own name only.

7. **Box 7 must be signed by or on behalf of each joint applicant.**
If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney (or (a) duly certified copy(ies) thereof) must be enclosed for inspection.

8. **If you have any queries on the procedure for application and payment, you should contact Lloyds Bank Plc, Lloyds Bank Registrars, Issue Section, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE (telephone 071-489 3179).**

Delivery of Application Form

Send the completed Application Form together with the cheque or banker's draft by post or deliver it by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Issue Section, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE so as to be received not later than 10.00 a.m. on Friday, 19th November, 1993.

If you post your Application Form, you are recommended to use first class post and to allow at least two working days for delivery. Photostat copies of Application Forms will not be accepted. Multiple applications or suspected multiple applications may be rejected in their entirety.

Your attention is drawn to the warranties in sub-paragraph 3 of paragraph 1 of the Procedure for Application.

Printed by Greenaways, London L007155

Application Form

Placing and Offer by Lazard Brothers of 40,577,570 ordinary shares of 5p each in Badgerline at 115p per ordinary share, payable in full on application.

Before completing this form you should read carefully the accompanying Guide to the Application Form and the Procedure for Application set out in Part 6 of the Prospectus.

1. Please use block capitals

Forename(s) (in full) Mr, Mrs, Ms, Miss or title _____

Surname _____

Minor's forename(s) (in full) Mr, Mrs, Ms, Miss or title _____

Surname _____ Date of birth _____

Address (in full) _____

_____

_____ Postcode _____

2. I/We offer to acquire _____ ordinary shares

(or any smaller number of ordinary shares for which this application is accepted) at the Issue price of 115p per ordinary share payable in full on application on the terms and conditions set out in this Application Form and in Part 6 of the Prospectus and subject to the Prospectus and the Memorandum and Articles of Association of Badgerline.

3. I/We attach a cheque or banker's draft for the amount payable £

(115p multiplied by the number of ordinary shares inserted in Box 2).

4.	Dated 1993	Signature

5. → ☐ **Affix here your cheque or banker's draft for the amount in Box 3 made payable to "Lloyds Bank Plc—A/C Badgerline Group" and crossed "A/C Payee only". Attach one cheque or banker's draft only.**

Complete Boxes 6 and 7 only when there is more than one applicant. The first applicant should sign in Box 4 and complete Box 1. Insert in Box 6 the names of the second and subsequent applicants, each of whose signature is required in Box 7.

6. Please use block capitals

APPLICANT 2 Forename(s) (in full) Mr, Mrs, Ms, Miss or title	APPLICANT 3	APPLICANT 4
Surname		
Address (in full)		
Postcode		

7.	Signature		

Delivery of Application Form

The completed Application Form together with the cheque or banker's draft should be sent by post or delivered by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Issue Section, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE so as to be received not later than 10.00 a.m. on Friday, 19th November, 1993.

Availability of the Prospectus and Application Forms

Copies of this document and the Application Form may be obtained until Friday, 19th November, 1993 from:

Badgerline Group plc
Badger Manor
Edingworth
Weston-super-Mare
BS24 0JA

Lazard Brothers & Co., Limited
21 Moorfields
London
EC2P 2HT

Cazenove & Co.
12 Tokenhouse Yard
London
EC2R 7AN

and from the following offices and branches of Lloyds Bank Plc:

London
Lloyds Bank R[illegible]ars
Issue Section
2nd Floor
Bolsa House
80 Cheapside
London EC2V 6EE

Birmingham
125 Colmore Row
Birmingham B3 3AD

Bristol
55 Corn Street
Bristol BS99 7LE

Edinburgh
113/115 George Street
Edinburgh EH2 4TF

Glasgow
12 Bothwell Street
Glasgow G2 6NY

Leeds
6-7 Park Row
Leeds LS1 1NX

Manchester
53 King Street
Manchester M60 2ES

Plymouth
8 Royal Parade
Plymouth
Devon PL1 1HB

Printed by Greenaways, London L007155

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COMPANIES FORM No. 123

Notice of increase in nominal capital

123

Please do not write in this margin

Pursuant to section 123 of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies
(Address overleaf)

For official use

Company number 2029363

Name of company

* BADGERLINE GROUP PLC

* insert full name of company

gives notice in accordance with section 123 of the above Act that by resolution of the company dated 8th November 1993 the nominal capital of the company has been increased by £ 4,000,000 beyond the registered capital of £ 2,000,000.

§ the copy must be printed or in some other form approved by the registrar

A copy of the resolution authorising the increase is attached.§

The conditions (eg. voting rights, dividend rights, winding-up rights etc.) subject to which the new shares have been or are to be issued are as follow:

The share capital of the Company was increased by the creation of 80,000,000 new ordinary shares of 5p each with the rights and subject to the restrictions set out in the New Articles of Association of the Company adopted on 8th November 1993
The resolution increasing the authorised share capital became unconditional on 24th November 1993.

Please tick here if continued overleaf ☐

‡ Insert Director, Secretary, Administrator, Administrative Receiver or Receiver (Scotland) as appropriate

Signed D. J. Wm Designation‡ SECRETARY Date 2.12.93

Presentor's name address and reference (if any):

BTJ/RAB/7602.76

BURGES SALMON,
SOLICITORS,
NARROW QUAY HOUSE
PRINCE STREET,
BRISTOL.
BS1 4AH

For official Use
General Section

Post room

COMPANIES HOUSE -3 DEC 1993

No. 2029363

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

of

BADGERLINE HOLDINGS LIMITED

Passed 8th November 1993

At an Extraordinary General Meeting of the above-named Company, duly convened and held on 8th November 1993, the following Resolutions were duly passed as Special Resolutions:

COMPANIES
-3 DEC 1993

SPECIAL RESOLUTIONS

1 THAT, conditional upon fulfilment of the following conditions on or before 31st December 1993, namely (i) application being made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("**The Stock Exchange**") for admission of the share capital of the Company both issued and proposed to be issued ("**the Shares**") to the Official List of The Stock Exchange ("**Application**"); and (ii) Cazenove & Co., the Company's

brokers, confirming in writing to the Company that they expect admission of the Shares (evidenced by the posting of a Notice pursuant to Rule 520 of the Rules of The Stock Exchange) to occur within 48 hours from the date of such confirmation and that they have not been notified of any reason why such admission should not occur; and in the order set out in the paragraphs below so that each such paragraph shall be implemented immediately after the implementation of the previous paragraph:

(a) each of the issued and each of the unissued ordinary shares of 20p of the Company be sub-divided into 4 ordinary shares of 5p each ("the Subdivision");

(b) the authorised share capital of the Company be increased from £2,000,000 to £6,000,000 by the creation of 80,000,000 new ordinary shares of 5p each ("the Share Increase");

(c) the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") and in substitution for any existing power to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount equal to one third of the aggregate nominal value of the issued and committed share capital of the Company immediately following the allotment and issue of all ordinary shares of 5p each pursuant to the placing and offer proposed to be made at or around the time of the Application referred to and defined above during the period expiring on the day before the fifth anniversary of the date of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in

pursuance of such offers or agreements as if the authority conferred hereby had not expired;

(d) the directors be and they are hereby authorised pursuant to section 80 of the Act (such authority to expire on 31st December 1993) and directed to capitalise a sum in sterling equal to the aggregate nominal value of the total issued share capital of the Company immediately following the Subdivision (being part of the amount standing to the credit of the share premium account of the Company or, if the credit balance on such share premium account is less than the amount proposed to be capitalised at the time of such capitalisation, being the whole of the amount standing to the credit of such share premium account and part of the amount standing to the credit of the profit and loss account of the Company) and, immediately after the Subdivision and Share Increase, to appropriate such sum to the members who would have been entitled thereto if distributed by way of dividend and to apply such sum on their behalf in paying up in full at par such number of ordinary shares of 5p each of the Company (to be allotted credited as fully paid to such members, or as they may direct) as are required to satisfy a bonus issue to members in the proportion of one new ordinary share of 5p each for every one new ordinary share of 5p each held by them immediately following the Subdivision ("**the Bonus Issue**")

(e) the directors be and they are hereby empowered, pursuant to section 95 of the Act to allot equity securities for cash (as defined in section 94(2) of the Act) pursuant to the authority given in accordance with section 80 of the Act by paragraph (c) of this Resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of up to 45,000,000 ordinary shares of 5p each pursuant to the placing and offer proposed to be made at or around the time of the Application referred to and defined above;

(ii) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights to holders of Ordinary Shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount equal to 5 per cent of the aggregate nominal value of the total issued share capital of the Company following the allotment and issue of all the ordinary shares of 5p each pursuant to the placing and offer described in sub-paragraph (i) above;

and shall expire on the earlier of the conclusion of the Annual General Meeting of the Company in 1994 and 30th September 1994, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements as if that power had not expired;

(f) all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect;

2 That the Purchase Contract expressed to be made between the Trustees of the Badgerline Limited Pension Scheme (1), the Trustees of the Badgerline Holdings Limited Share Trust (2), the Trustees of the Bramble Charitable Trust (3) and the Company (4) and to provide for the purchase by the Company (contingently on and subject to the fulfilment of the following conditions before 31st December 1993 namely:-

(a) the allotment and issue of shares pursuant to the Bonus Issue (referred to and defined in resolution 1 above); and

(b) shares of the Company being placed and/or offered at or around the time of the Application (referred to and defined in resolution 1 above) by or on behalf of the Company);

of the number of ordinary shares of 5p each of the Company (after the Sub-division and Bonus Issue referred to and defined in resolution 1 above) specified in such Purchase Contract from the Vendors as defined therein (a final draft whereof marked "A" is produced to the Meeting and for purposes of identification signed by the Chairman thereof, being an agreement which has been on display at the registered office of the Company since Thursday 21st October, 1993 and on display at the meeting) be and the same is hereby approved and the Directors be and they are hereby authorised to procure the Company to enter into such Purchase Contract such authority to expire 6 months after the date of this resolution.

3 THAT, if the entire issued share capital of the Company is not admitted to the Official List of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited on or before 31st December 1993:-

(a) the Company be re-registered as a private limited company under the Companies Act 1985 and accordingly its name be changed to Badgerline Group Limited

(b) the Memorandum of Association of the Company be altered as follows:-

(i) by deleting clause 2; and

(ii) by re-numbering the existing clauses 3 to 6 (both inclusive) as 2 to 5 respectively

(c) the regulations contained in the printed document submitted to the Meeting marked "C" and for the purpose of identification signed by the Chairman thereof be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association thereof.

Chairman

Notice of consolidation, division, sub-division, redemption or cancellation of shares, or conversion, re-conversion of stock into shares

123

Please do not write in this margin

Pursuant to section 122 of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies
(Address overleaf)

For official use

Company number 2029363

Name of company

* BADGERLINE GROUP PLC

* insert full name of company

gives notice that:

By Special Resolution dated 8th November 1993, each issued and unissued ordinary share of 20p was sub-divided into 4 ordinary shares of 5p each The Special Resolution became unconditional on 24th November 1993.

‡ Insert Director, Secretary, Administrator, Administrative Receiver or Receiver (Scotland) as appropriate

Signed D. J. W— Designation‡ SECRETARY Date 2.12.93

Presentor's name address and reference (if any):

BIJ/RAB/7602.76

BURGES SALMON,
SOLICITORS,
NARROW QUAY HOUSE
PRINCE STREET,
BRISTOL.
BS1 4AH

For official Use
General Section

Post room

COMPANIES HOUSE
-3 DEC 1993

COMPANIES FORM No. 169

Return by a company purchasing its own shares

169

Pursuant to section 169 of the Companies Act 1985

Please do not write in this margin

To the Registrar of Companies
(Address overleaf)

For official use

Company number 2029363

Please complete legibly, preferably in black type, or bold block lettering

Name of company

* insert full name of company

* BADGERLINE GROUP PLC

Note
This return must be delivered to the Registrar within a period of 28 days beginning with the first date on which shares to which it relates were delivered to the company

Shares were purchased by the company under section 162 of the above Act as follows:

Class of shares	ORDINARY		
Number of shares purchased	2,149,144		
Nominal value of each share	£0.05		
Date(s) on which the shares were delivered to the company	24th November 1993		
Maximum prices paid § for each share	£1.12		
Minimum prices paid § for each share	£1.12		

§ A private company is not required to give this information

The aggregate amount paid by the company for the shares to which this return relates was:	£2,407,041.28
Stamp duty payable pursuant to section 66 of the Finance Act 1986 on the aggregate amount at 50p per £100 or part of £100	£ 12,035.50

‡ Insert Director, Secretary, Receiver, Administrator, Administrative Receiver or Receiver (Scotland) as appropriate

Signed D. J. [illegible] Designation‡ SECRETARY Date 2.12.93

Presentor's name address and reference (if any):

Ref: BTJ/RAB/7602.76

BURGES SALMON,
SOLICITORS,
NARROW QUAY HOUSE,
PRINCE STREET,
BRISTOL.
BS1 4AH

For official Use
General Section

Postroom COMPANIES FR42 10 DEC 1993 HOUSE

£12,035.50/MW/877040.

G

COMPANIES FORM No.353a

Notice of place for inspection of a register of members which is kept in a non-legible form, or of any change in that place

353a

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

Pursuant to the Companies (Registers and Other Records) Regulations 1985

Note: For use only when the register is kept by computer or in some other non-legible form

To the Registrar of Companies

For official use

Company number 2029363

Name of company

insert full name of company

* BADGERLINE GROUP PLC

gives notice, in accordance with regulation 3(1) of the Companies (Registers and Other Records) Regulations 1985, that the place for inspection of the register of members of the company which the company keeps in a non-legible form is [now]†:

delete as appropriate

LLOYDS BANK PLC REGISTRAR'S DEPARTMENT
THE CAUSEWAY
WORTHING
WEST SUSSEX
Postcode BN99 6DA

Signed D. J. [illegible]

[~~Director~~][Secretary]† Date 13.1.94

Presentor's name address and reference (if any):

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

For official Use
General Section

COMPANIES HOUSE PR25 0' 20 JAN 1994

Companies House
Approval No. CHA113

COMPANIES FORM No. 123

Notice of increase in nominal capital

123

Please do not write in this margin

Pursuant to section 123 of the Companies Act 1985

To the Registrar of Companies
(address overleaf)

For official use

Company number 2029363

Please complete legibly, preferably in black type, or bold block lettering

Name of company

* insert full name of company

* Badgerline Group plc

Gives notice in accordance with section 123 of the above Act that by resolution of the company dated 14th April 1994 the nominal capital of the company has been increased by £3,000,000 beyond the registered capital of £6,000,000.

† the copy must be printed or in some other form approved by the registrar

A copy of the resolution authorising the increase is attached.†

The conditions (eg. voting rights, dividend rights, winding-up rights etc.) subject to which the new shares have been or are to be issued are as follows:

The capital of the company has been increased by the creation of 60,000,000 new ordinary shares of 5p each ranking pari passu in all respects with the existing ordinary shares of 5p of the Company.

‡ Insert Director, Secretary, Administrator, Administrative Receiver or Receiver (Scotland) as appropriate

Please tick here if continued overleaf ☐

Signed [signature] Designation ‡ Secretary Date 14/04/94

Presentor's name address and reference (if any):

Burges Salmon
Narrow Quay House
Prince Street Bristol
BS1 4AH

btj\rab\7602.105

For official Use
General Section

Post room
COMPANIES
PRO
21 APR 1994
HOUSE

XIOS Systems (0753) 680768

Company Number: 2029363

THE COMPANIES ACT 1985

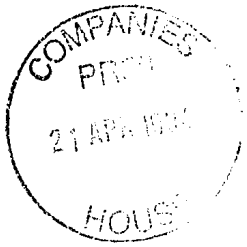
COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

of

BADGERLINE GROUP plc
("the Company")

PASSED on 14th April 1994



At an Extraordinary General Meeting of the Company duly convened and held on 14th April 1994 the following resolutions were passed, in the case of the resolution number 1 as an ordinary resolution and in the case of the resolution number 2 as a special resolution.

ORDINARY RESOLUTION

1 THAT:

(a) the offers by the Company and its subsidiary Badgerline Yorkshire Limited to acquire the whole of the issued share capital of Rider Holdings Limited on the terms stated in the offer document issued by Lazard Brothers & Co., Limited on behalf of the Company and Badgerline Yorkshire Limited dated 21st March, 1994 and addressed to the shareholders of Rider Holdings Limited (or on the terms of any amended, varied, revised, extended, additional or other offer to acquire such share capital as may be approved by the Directors or a Committee of the Directors of the Company) be, and they are hereby approved and that the Directors of the Company be, and they are hereby, authorised to waive, amend, vary, revise, extend or add to any of such terms;

(b) the authorised share capital of the Company be increased from £6,000,000 to £9,000,000 by the creation of 60,000,000 new Ordinary Shares of 5p each;

(c) for the purposes of the statement in relation to material issues of shares contained in the listing particulars dated 10th November, 1993 in relation to the flotation of the Company, the Company be authorised to issue up to 33,629,630 new Ordinary Shares of 5p each; and

(d) the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") and in substitution for any existing power to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount equal to one third of the aggregate nominal value of the issued and committed share capital of the Company immediately following the allotment and issue of all ordinary shares of 5p each as described in paragraph (c) above during the period expiring on the day before the fifth anniversary of the date of this resolution, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

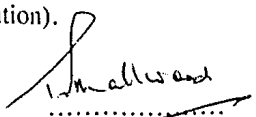
2 THAT (conditional on the passing of Resolution 1 above) the Directors be and they are hereby empowered, pursuant to Section 95 of the Act to allot securities pursuant to the authority given in accordance with Section 80 of the Act by Resolution 1 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer (whether by way of rights, open offer or otherwise) of securities, open for acceptance for a period fixed by the Directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £324,837;

and shall expire at the conclusion of the Annual General Meeting of the Company in 1995, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity

securities in pursuance of such offers or agreements (words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution).



Chairman