

THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

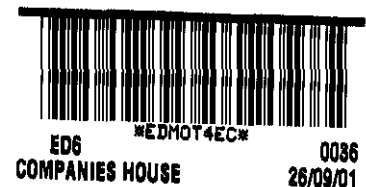
of

MCINTOSH 88 LIMITED

(Registered Number 2172877)

Dated: 7th July 1988

(As amended by a special resolution dated 19th November 1993 and by a special resolution passed by way of written resolution dated 24th September 2001)



Dickson Minto W.S.
Edinburgh

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1. PRELIMINARY

The headings shall not affect the construction hereof and in the interpretation of these Articles unless there be something in the subject or context inconsistent therewith the following words and expressions shall bear the meanings set opposite them:-

"the Act"	the Companies Act 1985;
"the Board"	means the Board of Directors of the Company from time to time;
"Director"	a director for the time being of the Company;
"Ordinary Share"	an Ordinary Share of £1.00 in the capital of the Company as hereinafter provided;
"Ordinary Shareholder"	a holder for the time being of Ordinary Shares;
"Preference Share"	a Cumulative Convertible Redeemable Preference Share of £1 in the capital of the Company;
"Preference Shareholder"	the holder for the time being of the Preference Shares;
"Shares"	any shares for the time being in the capital of the Company;
"McIntosh"	A.H. McIntosh & Company Limited, a wholly owned subsidiary of the Company;

"Enlarged Ordinary Shares"	the aggregate number of Ordinary Shares in the capital of the Company which will be in issue or under option after completion of the Conversion;
"Conversion"	the conversion of all or any of the Preference Shares in accordance with Article 7;
"Shareholder"	a holder for the time being of any Shares;
"Table A"	Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (as amended);
"Connected Persons"	as defined by Section 533 Income and Corporation Taxes Act 1970.

Words and expressions defined in the Act shall unless the context otherwise requires have the same meanings in these Articles. The singular shall include the plural and *vice versa*.

2. TABLE A

The Regulations contained in Table A shall apply to the Company save in so far as they are excluded or modified hereby. The first sentence of Regulation 24 and Regulations 8, 38, 54, 73-77 inclusive, 80 and 93 of Table A shall not apply, but subject as aforesaid, and in addition to the remaining Regulations of Table A the following shall be the Articles of Association of the Company.

3. PRIVATE COMPANY

The Company is a private company and accordingly any invitation to the public to subscribe for any shares or debentures of the Company is prohibited.

4. SHARES

The share capital of the Company at the date of adoption of these Articles is £501,000 divided into 1,000 Ordinary Shares and 500,000 Preference Shares.

5. PREFERENCE SHARES

The rights attaching to the Preference Shares are as follows:-

5.1 As regards income

The Preference Shares shall confer on the holders thereof the right, in priority to any rights of the holders of any other class of Shares in the capital of the Company to receive a fixed cumulative preferential dividend ("Preferential Dividend") at the rate of four per cent per annum net of Advance Corporation Tax on the capital for the time being paid up thereon. The Preference Dividend shall accrue from day to day and be paid half-yearly on 31st December and 30th June (respectively a "Dividend Payment Date") in each year in respect of the half-years ending on those dates out of the profits of the Company available for distribution provided that the first such payment shall be made on 31st December 1988 and shall be calculated in respect of the period from the date of issue up to and including 31st December 1988.

5.2 As regards capital

On a return of capital on liquidation or otherwise the assets of the Company available for distribution amongst the Shareholders shall be applied, in priority to any payment to the holders of any other class of shares in the capital of the Company, in paying to the Preference Shareholders:-

- (i) first, the amounts paid up on the Preference Shares held by them;
- (ii) secondly, a sum equal to any arrears or deficiency of the Preference Dividend to be calculated down to the date of return of capital and to be payable irrespective of whether or not such dividend has been declared or earned.

The Preference Shares shall not confer upon the Preference Shareholders any further right of participation in the profits or assets of the Company.

5.3 As regards voting

Preference Shareholders shall be entitled to receive notice of and to attend (either in person or by a duly authorised representative) at any General Meetings of the Company, and to speak thereat but not to vote on any resolution thereat unless:-

- 5.3.1 at the date of the notice convening the meeting (being a date not earlier than 30th June 1990) the Preference Dividend or any part thereof shall have remained

unpaid for 2 months after any Dividend Payment Date; or

5.3.2 a resolution is to be proposed for winding up the Company or reducing the share capital, share premium account or capital redemption reserve fund of the Company; or

5.3.3 a resolution is to be proposed abrogating or adversely varying or affecting any of the rights or privileges of the holders of the Preference Shares as a class which for the avoidance of doubt shall include a resolution to reduce or cancel the Preference Shares. In any case where such right to receive notice of and to attend and vote at any such meeting arises other than by reason of the said Preference Dividend or any part thereof being 2 months in arrear the holders of the Preference Shares shall be entitled to vote at any such meeting only in respect of any such resolution as is mentioned in this Article.

5.4 As regards conversion rights

The Preference Shares shall confer on the holders thereof the conversion rights set out in Article 7.

5.5 As regards redemption

The Preference Shares shall be redeemable in accordance with provisions of Article 9.

6. ORDINARY SHARES

The Ordinary Shares shall confer on the holders thereof the following rights and privileges:-

6.1 Voting

On a show of hands every Ordinary Shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a shareholder entitled to vote, shall have one vote and on a poll every Ordinary Shareholder shall have one vote for every Ordinary Share of which he is the holder.

6.2 As regards income

The Ordinary Shares shall confer on the holders thereof the right subject to the prior rights attaching to the Preference Shares to

receive all distributable profits of the Company resolved to be distributed.

6.3 As regards capital

The Ordinary Shares shall confer on the holders thereof the right, on a winding up or other return of capital, to participate in the surplus assets of the Company after payment in full of all amounts due to the holders of the Preference Shares on such winding up or other return of capital.

7. CONVERSION OF PREFERENCE SHARES

The Preference Shares shall be converted into Ordinary Shares in accordance with the following provisions of this Article:-

7.1 Immediately following the occurrence of any of the following events ("Conversion Event"):-

- 7.1.1 Upon the receipt by any Shareholder of a bona fide offer made on arm's length terms (whether or not being an offer made by a Shareholders or Shareholder) for Ordinary Shares which, when acquired would give the transferee and/or any Company controlled by the transferee and/or any person acting in concert with him an interest in excess of 50.1% in aggregate of the issued Ordinary Share capital of the Company.
- 7.1.2 In the event of the Company seeking or procuring a quotation for any of its shares or any of the shares of McIntosh or any of its other subsidiaries which at the time of such proposed quotation is carrying on the business of manufacturing and distributing furniture as presently carried on by McIntosh on The Stock Exchange, the Unlisted Securities Market the Third Market, or any similar public securities market in any part of the United Kingdom, then the Conversion Event shall be deemed to have occurred immediately prior to the impact day for such quotation and conditionally upon such quotation being obtained.
- 7.1.3 The eighth anniversary of the adoption of these Articles of Association.
- 7.1.4 Upon the receipt by the Company of an offer (made on arm's length terms (whether or not being an offer made by a Shareholder or Shareholders) for the purchase of the issued share capital or business or

businesses of McIntosh or any other subsidiary of the Company which if accepted would result in the transfer of net assets representing more than 25 per cent of the net tangible assets of the Company immediately prior to such transfer or in the disposal of a subsidiary which accounts for more than 25% of the aggregate net income of the Company and its subsidiaries immediately prior to such disposal.

- 7.2 Upon the occurrence of any Conversion Event, the Company shall forthwith give to each holder of the Preference Shares not less than 14 days written notice of the Conversion Event, which notice shall give such holders the right to convert their respective Preference Shares and will specify a time and place for the conversion (being, in the case of paragraphs 7.1.1 and 7.1.4, not more than 14 days prior to the proposed completion date, in the case of paragraph 7.1.2, immediately, prior to flotation and in the case of paragraph 7.1.3, not more than 14 days after the said eighth anniversary.
- 7.3 Those Preference Shares in respect of which the holders thereof give written notice (not later than 7 days from receipt of the notice referred to in 7.2 above) shall be [subdivided/consolidated and] reclassified into such number of Ordinary Shares of £1.00 each ranking pari passu in all respects with the other Ordinary Shares in issue on the date of such Conversion.
- 7.4 At the time and place so fixed the Holder of the Preference Shares will be bound to deliver up to the Company the certificate for its shares for cancellation or an indemnity in respect of lost certificates in a form reasonably acceptable to the Directors and upon the delivery up of such certificates the Preference Shares to be converted shall be converted into such number of Ordinary Shares so that, following conversion, the percentage of the Enlarged Ordinary Shares attributable to the Preference Shares shall be twenty per cent (20%).
- 7.5 The provisions of this Article 7 may not be amended save by Extraordinary Resolutions passed at separate class meetings of the Ordinary Shareholders and the Preference Shareholders.

8. DIVIDENDS

- 8.1 Where Conversion occurs of any Preference Shares the dividend accrued due on such Preference Shares converted shall be paid, on the Conversion Date, to the holders of such Shares on the Conversion Date.

- 8.2 The Company may, from time to time, by Ordinary Resolution, declare a dividend to be paid to the Ordinary Shareholders and may fix the time for payment of such dividend.
- 8.3 Dividends payable in respect of the Preference Shares shall become a debt due from and payable by the Company to the Preference Shareholders on the relevant Dividend Payment Date without requiring a resolution of the Directors or of the Company in General Meeting.

9. REDEMPTION

- 9.1 At any time after the occurrence of the Conversion Event referred to in 7.1.3 above, the holder of any Preference Shares shall have the right to request that all (but not some) of the outstanding Preference Shares held by him in respect of which he shall not have given written notice to convert in accordance with 7.3 above shall be redeemed and, subject to receipt of written notice of such request, the Company shall within 14 days of receipt of such notice redeem any Preference Shares the subject of such request.
- 9.2 The Company shall have the right at any time after the occurrence of the Conversion Event set out in 7.1.3 and after the expiry of the time within which a Preference Shareholder is entitled to serve notice to convert as set out in 7.3 above to redeem all (but not some only of) the Preference Shares in respect of which no such notice to convert has been given. Provided that notice from the Company to the preference Holders has been properly given in accordance with 7.2 above). The Company shall be obliged to give not less than 14 days' notice of its intention to redeem the Preference Shares, such notice to be in writing and to fix the time and place for such redemption.
- 9.3 The Preference Dividend on each of the Preference Shares becoming liable to redemption under this Article shall cease to accrue as from the date redemption occurs.
- 9.4 On the date fixed for redemption in accordance with this Article the Company shall, against delivery to it at its registered office by a Preference Shareholder of:
- (a) a demand in writing for payment of the redemption monies in respect of his Preference Shares;
 - (b) a share certificate in respect of his Preference Shares due to be redeemed or an indemnity for lost

certificates in a form reasonably satisfactory to the Directors; and

- (c) a receipt for the redemption monies duly signed and authenticated in such manner as the Directors may reasonably require,

pay to the Preference Shareholder the redemption monies in respect of his Preference Shares to be redeemed and cancel that share certificate.

- 9.5 Each Preference Share shall be redeemed for (and the redemption monies in respect of each Preference Share shall be) an amount equal to the aggregate of:

- (a) the capital paid up on that Preference Share; and
- (b) a sum equal to any arrears and accruals of Preference Dividend on such Preference Share whether or not such dividend is declared or earned calculated down to the date of return of capital.

- 9.6 Redemption of a Preference Share in accordance with this Article 9 shall be without prejudice to the Company's obligations (and in the Preference Shareholder's rights) in respect of due but unpaid dividends in respect thereof and interest thereon (if any).

- 9.7 The provisions of this Article 9 may not be amended save by Extraordinary Resolutions passed at separate class meetings of the Ordinary Shareholders and the Preference Shareholders.

- 9.8 Notwithstanding the foregoing provisions of this Article 9 the Company shall have the right to redeem the Preference Shares on such terms and in such manner and at such date or dates as the Directors and the holders of the Preference Shares may from time to time agree.

10. PERMITTED TRANSFERS

- 10.1 The Directors shall not register any transfer of Shares in the Company save in the circumstances permitted by Articles 10, 11 and 12 and save as provided in the subsequent provisions of this Article the Shareholders shall not be entitled to transfer any Shares whether by way of sale or otherwise except in accordance with the provisions of Articles 10, 11 and 12.

- 10.2 Without prejudice to the provisions of Table A, any share held by a Shareholder may be transferred to a person shown to the

satisfaction of the Board to be a nominee of or a trustee for that Shareholder (a "Beneficial Shareholder") only PROVIDED THAT the provisions of this Article and Articles 11 and 12 shall apply to any Share so transferred as if it were still held by the Beneficial Shareholder.

- 10.3 Any share held by a nominee of or a trustee for a Beneficial Shareholder may be transferred to such Beneficial Shareholder or subject to the proviso in Article 10.2 to any other nominee of or trustee for such Beneficial Shareholder only.
- 10.4 Any Shareholder which is a body corporate may transfer any or all of its Shares to its ultimate parent company or any other body corporate controlled directly or indirectly by its ultimate parent company PROVIDED ALWAYS THAT the transferee gives an undertaking to the Company that in the event of any such body corporate ceasing to be controlled directly or indirectly by such ultimate parent company immediately prior to it so ceasing such Shares shall be transferred to another body corporate so controlled.
- 10.5 Any share may be transferred by any person shown to the satisfaction of the Board (whose determination shall be final and binding on all persons) to be a trustee or nominee to the beneficial owner thereof.
- 10.6 The Board shall not refuse to register any transfer of shares made in accordance with these Articles.

11. TRANSFER OF ORDINARY SHAREHOLDERS

- 11.1 Any member being an individual may at any time transfer all or any of the Ordinary Shares held by him:-
 - (a) to a privileged relation; or
 - (b) to trustees to be held upon family trusts.
- 11.2 Where Ordinary Shares are held by trustees upon family trusts:-
 - (a) such shares may on any change of trustees be transferred to the new trustees;
 - (b) such shares may at any time be transferred to any person to whom under sub-paragraph 11.1(a) of this Article the same could have been transferred by the settlor if he had remained the holder thereof; and

- (c) if and whenever any such shares cease to be held upon family trusts (otherwise than in consequence of the transfer authorised by sub-paragraph (b) of this paragraph) the trustees shall forthwith give a transfer notice in respect of the shares in question and such shares may not otherwise be transferred; and failure so to give a transfer notice within 28 days of the shares ceasing to be held as aforesaid shall result in the shares in question being deemed to be the subject of a transfer for the purposes of which the prescribed price is the lower of the subscription moneys initially paid for such shares and the price determined pursuant to Article 11.10.

11.3 Any member may at any time declare (provided that such is the case) that he holds all or any of the Ordinary Shares held by him on family trusts.

11.4 For the purpose of this Article:-

- (a) "privileged relation" in relation to a member means the spouse of the member and the member's children and grandchildren (including step and adopted children and grandchildren);
- (b) "family trusts" in relation to such member means trusts under which no immediate beneficial interest in the shares in question is for the time being vested in any person other than the member or his privileged relations and no power of control over the voting powers and conferred by such shares is for the time being exercisable by or subject to the consent of any person other than the trustees or such member or his privileged relation; and
- (c) "settlor" includes a testator or an intestate in relation to family trusts arising respectively under a testamentary disposition or an intestacy.

11.5 Any Ordinary Shareholder (the "Retiring Shareholder") wishing to transfer part or all of the Ordinary Shares held by him shall first give a notice in writing (a "Sale Notice") to the Company specifying the number and denoting numbers (if any) of the Ordinary Shares which the Retiring Shareholder wishes to sell (the "Sale Shares") which notice shall constitute the Company irrevocably the agent of the Retiring Shareholder for the sale of the Sale Shares at market value (such value to be determined in accordance with the provisions of Article 11.10).

- 11.6 On receipt of a Sale Notice the Company shall forthwith determine the market value of the Sale Shares in accordance with Article 11.10 ("Market Value") and upon such determination shall offer the Sale Shares at Market Value first to all the other Ordinary Shareholders in proportion as nearly as may be to the nominal amount of their existing holdings of Ordinary Shares in the Company. Such offer shall to the extent that the same is not accepted within 42 days of the receipt of the Sale Notice by the Company be deemed to be declined and any remaining Sale Shares which have not been accepted shall forthwith be offered at Market Value to the Ordinary Shareholders who have accepted Sale Shares and if there be more than one such Ordinary Shareholder in proportion as nearly as may be to their existing holdings of Ordinary Shares in the Company. Such offer shall to the extent that it is not accepted within 56 days of receipt of the Sale Notice by the Company be deemed to be declined.
- 11.7 If the Company shall not have found Ordinary Shareholders willing to purchase all of the Sale Shares pursuant to Article 11.6 the Company shall forthwith offer in writing the Sale Shares not so accepted to the Preference Shareholder at Market Value. Such offer shall to the extent that it is not accepted within 21 days of receipt by the Preference Shareholder of the said written offer be deemed to be declined.
- 11.8 If the Company shall find purchasing Shareholders (each of them a "Purchasing Shareholder") in respect of all or (except where the Sale Notice provides otherwise) any of the Sale Shares in accordance with Articles 11.6 and 11.7 it shall forthwith give notice thereof to the Retiring Shareholder and the Retiring Shareholder and Purchasing Shareholder or Purchasing Shareholders shall be bound to complete the relevant sale and purchase within seven days of the date of such notice.
- 11.9 If the Company shall not find purchasing Shareholders pursuant to Articles 11.6 and 11.7 for all of the Sale Shares or if through no default of the Retiring Shareholder the purchase of any of the Sale Shares is not completed within the time period specified in Article 11.8 the Retiring Shareholder shall be at liberty at any time within six months after the first service of the Sale Notice to transfer such of the Sale Shares as were not accepted by the Purchasing Shareholders or in respect of which the Company was unable to find a Purchasing Shareholder or (in any case where the Sale Notice stated that the Retiring Shareholder required to sell all and not part only of the Sale Shares) all of the Sale Shares to any person he may wish and at Market Value or

any higher or (subject as provided below) lower price PROVIDED THAT no Sale Shares shall be sold at a lower price than Market Value without first serving a further Sale Notice upon the Company specifying such lower price as the price at which such Sale Shares are offered and all the provisions of this Article 11 shall apply to such further Sale Notice save that Market Value shall be deemed to be such lower price.

- 11.10 The Market Value of the Sale Shares shall be determined by Agreement between the Retiring Shareholder and the Board but in default of agreement thereon within ten days of the Date of the Sale Notice shall be calculated on the basis of a sale between a willing seller and a willing purchaser (as at the date of the Sale Notice) and shall be certified by an independent Chartered Accountant of not less than five years standing to be agreed between the parties and in default of agreement to be appointed by the President for the time being of The Institute of Chartered Accountants in England and Wales on the application of either the Board or the Retiring Shareholder. In so certifying the said Chartered Accountant shall act as an expert and not as an arbitrator and his decision shall be final and binding upon the parties.
- 11.11 In the event of the Retiring Shareholder failing to carry out the sale of any of the Sale Shares within the time limits set out aforesaid the Directors may authorise some person to execute a transfer of the Sale Shares to the purchasing Shareholder and the Company may give a good receipt for the purchase price of such Sale Shares and may register the purchasing Shareholder as holders thereof and issue to them certificates for the same whereupon the purchasing Shareholder shall become indefeasibly entitled thereto. The Retiring Shareholder shall in such case be bound to deliver up his certificate for the Sale Shares to the Company whereupon the Retiring Shareholder shall be entitled to receive the purchase price which shall in the meantime be held by the company on trust for the Retiring Shareholder but without interest. If such certificate shall comprise any Share which the Retiring Shareholder has not become bound to transfer as aforesaid the Company shall issue to the Retiring Shareholder a balance certificate for such share.
- 11.12 The cost of obtaining a certificate of Market Value shall be borne equally by the Retiring Shareholder and the purchasing Shareholder provided that if any Retiring Shareholder shall within twelve months of revoking a Sale Notice serve a further Sale Notice in respect of any of the Shares comprised in an earlier Sale Notice the cost of obtaining a certificate relating to

such further Sale Notice shall be borne wholly by such Retiring Shareholder.

12. TRANSFERS BY PREFERENCE SHAREHOLDERS

- 12.1 Any Preference Shareholder (the "Retiring Preference Shareholder") wishing to transfer all (but not some) of the Preference Shares held by him ("the Sale Preference Shares") other than in accordance 10.4 above shall first give notice in writing (a "Preference Sale Notice") to that effect to the Company which notice shall constitute the Company the agent of the Retiring Preference Shareholder for the sale of the Sale Preference Shares at market value (such value to be determined in accordance with the provisions of Article 12.5) ("Market Value").
- 12.2 On receipt of a Preference Sale Notice the Company shall forthwith determine the market value of the Sale Preference Shares in accordance with Article 12.5 ("Preference Market Value") and upon such determination shall offer the Sale Preference Shares at Preference Market Value first to all the Ordinary Shareholders in proportion as nearly as may be to the nominal amount of their existing holdings of Ordinary Shares in the Company. Such offer shall to the extent that the same is not accepted within 42 days of the receipt of the Sale Notice by the Company be deemed to be declined and any remaining Sale Preference Shares which have not been accepted shall forthwith be offered at Preference Market Value to the Ordinary Shareholders who have accepted Sale Preference Shares and if there be more than one such Ordinary Shareholder in proportion as nearly as may be to their existing holdings of ordinary shares in the Company. Such offer shall to the extent that it is not accepted within 56 days of receipt of the Sale Notice by the Company be deemed to be declined.
- 12.3 If the Company shall find purchasing Shareholders (each of them a "Purchasing Shareholder") in respect of all or (except where the Sale Notice provides otherwise) any of the Sale Preference Shares in accordance with Article 12.2 it shall forthwith give notice thereof to the Retiring Preference Shareholder and the Retiring Preference Shareholder and Purchasing Shareholder or Purchasing Shareholders shall be bound to complete the relevant sale and purchase within seven days of the date of such notice.
- 12.4 If the Company shall not find Purchasing Shareholders pursuant to Articles 12.2 and 12.3 for all of the Sale Preference Shares or if

through no default of the Retiring Preference Shareholder the purchase of any of the Sale Preference Shares is not completed within the time period specified in Article 12.3 the Retiring Preference Shareholder shall be at liberty at any time within six months after the first service of the Preference Sale Notice to transfer such of the Sale Preference Shares in respect of which the sale was not completed as aforesaid or in respect of which the Company was unable to find a Purchasing Shareholder or (in any case where the Preference Sale Notice stated that the Retiring Preference Shareholder required to sell all and not part only of the Sale Preference Shares) all of the Sale Preference Shares to any person he may wish and at Market Value or any higher or (subject as provided below) lower price PROVIDED THAT no Sale Preference Shares shall be sold at a lower price than Market Value without first serving a further Preference Sale Notice upon the Company specifying such lower price as the price at which such Sale Preference Shares are offered and all the provisions of this Article 12 shall apply to such further Preference Sale Notice save that Market Value shall be deemed to be such lower price.

- 12.5 The Market Value of the Sale Preference Shares shall be determined by Agreement between the Retiring Preference Shareholder and the Board but in default of agreement thereon within ten days of the date of the Preference Sale Notice shall be calculated on the basis of a sale between a willing seller and a willing purchaser (as at the date of the Preference Sale Notice) and shall be certified by an independent Chartered Accountant of not less than five years standing to be agreed between the parties and in default of agreement to be appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either the Board or the Retiring Preference Shareholder. In so certifying the said Chartered Accountant shall act as an expert and not as an arbitrator and his decision shall be final and binding upon the parties.
- 12.6 In the event of the Retiring Preference Shareholder failing to carry out the sale of any of the Sale Preference Shares within the aforesaid periods of time, the Directors may authorise some person to execute a transfer of the Sale Preference Shares to the purchasing Shareholder and the Company may give a good receipt for the purchase price of such Sale Preference Shares and may register the purchasing Shareholder as holders thereof and issue to them certificates for the same whereupon the purchasing Shareholder shall become indefeasibly entitled thereto. The Retiring Preference Shareholder shall in such case

be bound to deliver up his certificate for the Sale Preference Shares to the Company whereupon the Retiring Preference Shareholder shall be entitled to receive the purchase price which shall in the meantime be held by the Company on trust for the Retiring Preference Shareholder but without interest. If such certificate shall comprise any Preference Share which the Retiring Preference Shareholder has not become bound to transfer as aforesaid the Company shall issue to the Retiring Preference Shareholder a balance certificate for such Preference Share.

- 12.7 The cost of obtaining a certificate of Market Value shall be borne equally by the Retiring Preference Shareholder and the Purchasing Shareholder provided that if any Retiring Preference Shareholder shall within twelve months of revoking a Preference Sale Notice serve a further Preference Sale Notice in respect of any of the Preference Shares comprised in an earlier Preference Sale Notice the cost of obtaining a certificate relating to such further Preference Sale Notice shall be borne wholly by such Retiring Preference Shareholder.

13. ADJOURNED MEETINGS

- 13.1 If a meeting is adjourned under Regulation 41 of Table A because a quorum is not present and at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholder present shall form a quorum and Regulations 41 of Table A shall be modified accordingly.
- 13.2 It shall not be necessary to give any notice of an adjourned meeting and Regulations 45 of Table A shall be modified accordingly.

14. POLLS

A poll may be demanded by the Chairman or by any Shareholder present in person or by proxy and having the right to vote at the meeting and Regulation 58 of Table A shall be modified accordingly.

15. DIRECTORS' BORROWING POWERS

The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking property and uncalled capital and subject to Sections 81 and 82 of the Act to issue debentures, debenture stock and other securities as security for any debt, liability or obligation of the Company or of any third party.

16. DIRECTORS

- 16.1 Unless otherwise determined by ordinary resolution the number of Directors (other than alternate directors) shall be not less than two and not more than twelve.
- 16.2 A Director shall not retire by rotation and a Director appointed to fill a casual vacancy or as an addition to the Board shall not retire from office at the Annual General Meeting next following his appointment. Regulations 78 and 79 of Table A shall be modified accordingly.
- 16.3 The office of Director shall be vacated if the Director in the reasonable opinion of all his co-Directors becomes incapable by reason of mental disorder of discharging his duties as Director, and Regulation 81 of Table A shall be modified accordingly.
- 16.4 The Preference Shareholder shall be entitled to appoint and remove one Director of the Company (the "Institutional Director") at any one time so that subject to Article 16.6 there shall always be an Institutional Director. Such appointment shall be made by notice in writing served upon the Company at its registered office.
- 16.5 The holder of 75 per cent. in nominal amount of the Ordinary Shares shall be entitled to appoint two Directors of the Company (Management Directors). Any such appointment shall be by notice in writing signed by or on behalf of the holders of at least 75 per cent. in nominal amount of the Ordinary Shares, served upon the Company at its registered office.
- 16.6 The provisions of 16.4 shall apply only for so long as any Preference Share remains unconverted. The Institutional Director shall immediately upon conversion of all the Preference Shares cease to be designated as such.

17. BOARD MEETINGS

- 17.1 Meetings of the Board of Directors shall take place no less frequently than once per calendar month and at least three clear working days notice of each meeting shall be given to each Director provided that if a majority in number of the Directors agree to less frequent meetings and/or to a shorter period of notice then board meetings may be called less frequently and/or on such agreed shorter period of notice provided further that such majority so agreeing must include the Institutional

Director. All Board Meetings shall take place in the United Kingdom save with such agreement as aforesaid.

- 17.2 A resolution in writing signed or approved by telegram, telefax or telex by each Director (or, to the extent authorised by these Articles, his alternate) shall be as effective as a resolution duly passed at a Meeting of the Directors and may consist of several documents in the like form each signed by one or more persons.

18. LIEN

The Company shall have a first and paramount lien on every share (whether or not it is a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares (whether fully paid or not) standing registered in the name of any person for all moneys presently payable by him or his estate to the Company, whether he shall be the sole registered holder thereof or shall be one of several joint holders; by the Directors may at any time declare any share to be wholly or in part exempt; from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon.

19. MODIFICATION OF RIGHTS

- 19.1 Subject to the Act, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered and abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanctions of any extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of these Articles as to General Meetings of the Company shall *mutatis mutandis* apply, but so that the necessary quorum shall be one or more persons holding or representing by proxy not less than 60 per cent of the issued shares of the class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, that any holder of shares of the class present in person or by a representative or proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by a representative or proxy (whatever the number of shares held by him) shall be a quorum and for the purposes of this Article one holder present in person or by a representative or proxy may constitute a meeting.

19.2 It shall be a class right of the Preference Shareholders that, prior to Conversion of all the Preference Shares, none of the following shall be done without the consent of the Preference Shareholders by passing an Extraordinary Resolution of the Preference Shareholders at a separate class meeting or by a written resolution signed by all the Preference Shareholders:-

- 19.2.1 any variation in the authorised or issued share or loan capital or the creation or the granting of any options (excluding options granted pursuant to any Inland Revenue approved employee share option schemes) or other rights to subscribe for shares or to convert into shares in the capital of the Company or any of its subsidiaries;
- 19.2.2 any material change in the nature of the business of the Company and its subsidiaries taken as a whole;
- 19.2.3 any alteration to the Memorandum or Articles of Association of the Company; and
- 19.2.4 the sale, lease, transfer or other disposition in any accounting reference period of the Company of the whole or any significant part of the undertaking of the Company or the sale or other disposal of any of its subsidiaries the net assets of which represent more than 15 per cent of the net tangible assets attributable to the Company and its subsidiaries taken as a whole as shown by the latest available consolidated audited balance sheet of the Company and its subsidiaries (adjusted as appropriate to reflect any deterioration since the balance sheet date if any Director so requires and he shall so require if he has any reason to believe the net tangible assets have decreased since such date) or if no such balance sheet is available then assets representing £300,000 provided that, for the purpose of this paragraph, all disposals in any accounting reference period of the Company shall be aggregated for the purposes of assessing whether such consent of the Preference Shareholders is necessary.

20. NOTICE OF GENERAL MEETINGS

- 20.1 An Annual General Meeting and an Extraordinary General Meeting called for the passing of a Special Resolution shall be called by at least twenty-one clear days' notice. All other Extraordinary General Meetings shall be called by at least

fourteen clear days' notice but a General Meeting may be called by shorter notice if it is so agreed:-

- 20.1.1 in the case of an Annual General Meeting, by all the members entitled to attend and vote thereat; and
- 20.1.2 in the case of any other Meeting by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety-five per cent in nominal value of the shares giving that right.
- 20.2 The notice shall specify the time and place of the Meeting and the general nature of the business to be transacted, and in the case of an Annual General Meeting, shall specify the Meeting as such.
- 20.3 Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the Directors and Auditors.

21. PROCEEDINGS AT GENERAL MEETINGS

- 21.1 If a meeting is adjourned under Regulation 41 of Table A because a quorum is not present, and at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the shareholders present shall form a quorum and Regulation 41 of Table A shall be modified accordingly.
- 21.2 It shall not be necessary to give any notice of an adjourned meeting and Regulation 45 of Table A shall be construed accordingly.
- 21.3 A poll may be demanded by the Chairman or by any Member present in person or by proxy and entitled to vote and Regulation 46 of Table A shall be modified accordingly.
- 21.4 Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit as its representatives at any meeting of the Company or of the class of member of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the Corporation which he represents as that corporation could exercise if it were an individual member of the Company.

22. INDEMNITIES

Every Director, Managing Director, agent, auditor, secretary and other officers for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings relating to his conduct as an officer of the Company, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 727 of the Act in which relief is granted to him by the court.