

THE COMPANIES ACT 1985



COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

- of -

JARVIS HOTELS plc

(Amended by Special Resolution passed on 20 July 1990
and by Written Resolution passed on 29 May 1996)

1. The Company's name is "JARVIS HOTELS plc".¹
2. The Company is to be a public company.
3. The Company's registered office is to be situated in England.
4. The Company's objects are:
 - (A) (i) To carry on all or any of the businesses of proprietors, managers, licensees of hotels, restaurants, cafes, boarding houses, licensed victuallers, tea rooms, motels, clubs, casinos, licensed premises, the letting of furnished and unfurnished apartments, flats and/or houses, purveyors of food, accommodation, drink and entertainment, beer, wines and spirits merchants, distillers, brewers, importers and manufacturers of aerated and mineral waters and other drinks, tobacconists and cigar importers and exhibition and conference organisers and promoters;

¹ Name changed from Fallowdene Limited by Special Resolution passed on 18 June 1990
Name changed from Jarvis Hotels Limited by Written Resolution passed on 29 May 1996

- (ii) To act as an investment holding company and to co-ordinate the business of any companies in which the Company is for the time being interested, and to acquire (whether by original subscription, tender, purchase exchange or otherwise) the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by a body corporate constituted or carrying on business in any part of the world or by any government, sovereign ruler, commissioners, public body or authority and to hold the same as investments, and to sell, exchange, carry and dispose of the same;
 - (iii) To carry on the business in any part of the world as importers, exporters, buyers, sellers, distributors and dealers and to win, process and work products of all kinds.
- (B) To carry on the following businesses, namely, contractors, garage proprietors, filling station proprietors, owners and charterers of road vehicles, aircraft and ships and boats of every description, lightermen and carriers of goods and passengers by road, rail, water or air, forwarding, transport and commission agents, customs agents, stevedores, wharfingers, cargo superintendents, packers, warehouse storekeepers, cold store keepers, hotel proprietors, caterers, publicans, consultants, advisers, financiers, bankers, advertising agents, insurance brokers, travel agents, ticket agents and agency business of all kinds and generally to provide entertainment for and render services of all kinds to others and to carry on any other trade or business whatsoever which can in the opinion of the Directors be advantageously carried on by the Company in connection with or as auxiliary to the general business of the Company or any other trade or business whatsoever which can in the opinion of the Directors be advantageously carried on by the Company in connection with or as auxiliary to the general business of the Company.
- (C) To buy, sell, manufacture, repair, alter, improve, manipulate, prepare for market, let on hire, and generally deal in all kinds of plant, machinery, apparatus, tools, utensils, materials, produce, substances, articles and things for the purpose of any of the businesses specified herein, or likely to be required by customers or other persons having, or about to have, dealings with the Company.
- (D) To build, construct, maintain, alter, enlarge, pull down and remove or replace any buildings, shops, factories, offices, works, machinery, engines and to clear sites for the same or to join with any person, firm or company in doing any of the things aforesaid and to work, manage and control the same or join with others in so doing.

- (E) To enter into contracts, agreements and arrangements with any other company for the carrying out by such other company on behalf of the Company of any of the objects for which the Company is formed.
- (F) To acquire, undertake and carry on the whole or any part of the business, property and liabilities of any person or company carrying on any business which the Company is authorised to carry on or possess, or which may seem to the Company capable of being conveniently carried on or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights, or any property suitable for the purposes of the Company.
- (G) To enter into any arrangements with any Government or authorities, supreme, municipal, local or otherwise, that may seem conducive to the Company's objects or any of them, and to obtain from any such Government or authority any rights, privileges, and concessions which the Company may think it desirable to obtain, and to carry out, exercise and comply with any such arrangements, rights, privileges and concessions.
- (H) To apply for, or join in applying for, purchase or by other means acquire and protect, prolong and renew, whether in the United Kingdom or elsewhere any patents, patent rights, brevets d'invention, licences, registered designs, protections and concessions, which may appear likely to be advantageous or useful to the Company, and to use and turn to account and to manufacture under or grant licences or privileges in respect of the same, and to expend money in experimenting and testing and making researches, and in improving or seeking to improve any patents, inventions or rights which the Company may acquire or propose to acquire.
- (I) To enter into partnership or into any arrangement for sharing profits, union of interests, co-operation, joint adventure, reciprocal concession, or otherwise with any company, or with any employees of the Company, including in such case if thought fit the conferring of a participation in the management or its directorate, or with any company carrying on or engaged in any business or transaction capable of being conducted so as directly or indirectly to benefit the Company, and to give to any company special rights or privileges in connection with or control over this Company, and in particular the right to nominate one or more Directors of this Company. And to lend money to, guarantee the contracts of, or otherwise assist any such company, and to take or otherwise acquire shares or securities of any such company, and to sell, hold, re-issue, with or without guarantee, or otherwise deal with the same.

- (J) To subsidise, and assist any persons or companies and to act as agents for the collection, receipt or payment of money and generally to act as agents for and render services to customers and others.
- (K) Either with or without the Company receiving any consideration or advantage, direct or indirect, from giving any such guarantee, to guarantee or otherwise provide security by personal covenant or by mortgaging or charging all or any part of the undertaking, property and assets present and future and uncalled capital or by both such methods or by any other means whatsoever the performance of the obligations and the payment of any moneys (including but not limited to capital or principal, premiums, dividends or interest, commissions, charges, discount and any costs or expenses relating thereto whether on any stocks, shares or securities or in any other manner whatsoever) by any company, firm or person including but not limited to any company which is for the time being the Company's holding company as defined by Section 736 of the Companies Act, 1985 or a subsidiary of the Company or of the Company's holding company as so defined or any company, firm or person who is for the time being a member or otherwise has any interest in the Company or is associated with the Company in any business or venture or any other person firm or company whatsoever. A guarantee shall also include any other obligation (whatever called) to pay, purchase, provide funds (whether by advance of money the purchase of or the subscription of shares or other securities, the purchase of assets or services, or otherwise) for the payment of or to indemnify against the consequences of default in the payment of or otherwise be responsible for any indebtedness of any other company firm or person.
- (L) To promote any company for the purpose of acquiring all or any of the property and liabilities of this Company, or for any other purpose which may seem directly or indirectly calculated to benefit this Company.
- (M) To pay out of the funds of the Company all expenses which the Company may lawfully pay of or incident to the formation, registration and advertising of or raising money for the Company, and the issue of its capital, or for contributing to or assisting any company either issuing or purchasing with a view to issue all or any part of the Company's capital in connection with the advertising or offering the same for sale or subscription, including brokerage and commissions for obtaining applications for or taking, placing or underwriting or procuring the underwriting of shares, debentures or debenture stock.

- (N) To remunerate any person, firm or company rendering service to the Company whether by cash payment or by the allotment to him or them of shares or securities of the Company credited as fully paid up in full or in part or otherwise.
- (O) Generally to purchase, take on lease or exchange, hire, or otherwise acquire any real or personal property and any rights or privileges which the Company may think necessary or convenient for the purposes of its business.
- (P) To receive money on deposit upon such terms as the Company may approve.
- (Q) To invest and deal with the moneys of the Company in such manner as may from time to time be determined.
- (R) To lend money with or without security, but not to carry on the business of a registered money lender.
- (S) To borrow or raise or secure the payment of money in such manner as the Company shall think fit, and in particular by the issue of debentures or debenture stock, perpetual or otherwise charged upon all or any of the Company's property (both present and future), including its uncalled capital, and to purchase, redeem or pay off any such securities.
- (T) To remunerate any company for services rendered or to be rendered, in placing, or assisting to place, or guaranteeing the placing or procuring the underwriting of any of the shares or debentures, or other securities of the Company or of any company in which this Company may be interested or propose to be interested, or in or about the conduct of the business of the Company, whether by cash payment or by the allotment of shares, or securities of the Company credited as paid up in full or in part, or otherwise.
- (U) To subscribe for either absolutely or conditionally or otherwise acquire and hold shares, stocks, debentures, debenture stock or other obligations of any other company having objects altogether or in part similar to those of this Company.
- (V) To draw, make, accept, endorse, discount, execute and issue promissory notes, bills of lading, warrants, debentures and other negotiable and transferable instruments.
- (W) To sell, lease, exchange, let on hire, or dispose of any real or personal property or the undertaking of the Company, or any part or parts thereof, for such consideration

as the Company may think fit, and, in particular, for shares whether fully or partly paid up, debentures or securities of any other company, whether or not having objects altogether, or in part, similar to those of the Company, and to hold and retain any shares, debentures or securities so acquired, and to improve, manage, develop, sell, exchange, lease, mortgage, dispose of or turn to account or otherwise deal with all or any part of the property or rights of the Company.

- (X) To adopt such means of making known the businesses and products of the Company as may seem expedient, and in particular by advertising in the Press, by circulars, by purchase and exhibition of works of art or interest, by publication of books and periodicals, and by granting prizes, rewards and donations.
- (Y) To support, subscribe or contribute to any charitable or public object and any institution, society or club which may be for the benefit of the Company or its Directors, officers or employees, or the Directors, officers and employees of its predecessors in business or of any subsidiary, allied or associated company, or which may be connected with any town or place where the Company carries on business and to subsidise or assist any association of employers or employees or any trade association. To give pensions, gratuities, annuities or charitable aid to any person (including any Directors or former Directors) who may have served the Company or its predecessors in business or any subsidiary, allied or associated company or to the wives, children or other dependents or relatives of such persons, to make advance provision for the payment of such pensions, gratuities or annuities as aforesaid by establishing or acceding to such trusts schemes or arrangements (whether or not capable of approval by the Commissioners of Inland Revenue under any relevant legislation for the time being in force) as may seem expedient, to appoint trustees or to act as trustee of any such schemes or arrangements.
- (Z) To establish and contribute to any scheme for the purchase or subscription by trustees of shares in the Company to be held for the benefit of the Company's employees, and to lend money to the Company's employees to enable them to purchase or subscribe for shares in the Company and to formulate and carry into effect any scheme for sharing the profits of the Company with employees or any of them.
- (AA) To obtain any Provisional Order or Act of Parliament for enabling the Company to carry any of its objects into effect or for effecting any modifications of the Company's constitution or for any other purposes which may seem expedient, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.

- (BB) To establish, grant and take up agencies in any part of the world, and to do all such other things as the Company may deem conducive to the carrying on of the Company's business, either as principals, or agents, and to remunerate any persons in connection with the establishment or granting of such agencies upon such terms and conditions as the Company may think fit.
- (CC) To do all or any of the above things in any part of the world and as principals, agents, contractors, trustees or otherwise, and by or through trustees, agents or otherwise, and either alone or in conjunction with others and to procure the Company to be registered or recognised in any foreign country or place.
- (DD) To distribute any of the property of the Company in specie among the shareholders.
- (EE) To amalgamate with any other company having objects altogether or in part similar to those of this Company.
- (FF) To do all such other things as are incidental or conducive to the attainment of the above objects, or any of them.

The objects specified in each paragraph of this Clause shall, except whether otherwise expressed in such paragraph, be regarded as independent objects, and shall not be limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company. None of the paragraphs of this clause or the objects or powers therein specified or conferred shall be deemed subsidiary or ancillary to the objects or powers mentioned in any other paragraph, but the Company shall have as full as power to exercise all or any of the objects and powers provided in each paragraph as if each paragraph contained the objects of a separate company.

The word "company" in this Clause (except where used in reference to the Company) shall be deemed to include any person or partnership or other body of persons whether domiciled in the United Kingdom or elsewhere and whether incorporated or unincorporated, and words denoting the singular number only shall include the plural number and vice versa. The expression "the Act" in this Clause means the Companies Act 1985, but so that any reference in this Clause to any provision of the Act shall be deemed to include a reference to any modification or re-enactment of that provision for the time being in force.

5. The liability of the Members is limited.

6. The Company's Share Capital is £100 divided into 100 shares of £1 each².

² On 18 June 1990, the authorised share capital of the Company was increased to £225,000 by the creation of 224,900 Ordinary shares of £1 each.

On 20 July 1990, the authorised share capital of the Company was increased to £49,900,000 by the creation of 60,500,000 Cumulative Redeemable Preference shares of 80 pence each and 1,275,000 Cumulative Convertible Participating Preferred Ordinary shares of £1 each.

On 19 November 1992, the 60,500,000 Cumulative Redeemable Preference shares of 80 pence each were redesignated as A Cumulative Redeemable Preference shares of 80 pence each and the authorised share capital of the Company was increased to £62,900,000 by the creation of 13,000,000 B Cumulative Redeemable Preference shares of £1 each.

On 26 May 1994, the authorised share capital of the Company was increased to £62,990,000 by the creation of 90,000 A Ordinary shares of £1 each.

WE, the subscribers to this Memorandum of Association, wish to be formed into a company pursuant to this Memorandum; and we agree to take the number of shares shown opposite our respective names.

NAMES AND ADDRESSES
OF SUBSCRIBERS

NUMBER OF SHARES
TAKEN BY EACH SUBSCRIBER

Jaqueline Samuels
for and on behalf of
Legibus Secretaries Limited
Royex House
Aldermanbury Square
London EC2V 7LD

Christine Anne Lee
for and on behalf of
Legibus Nominees Limited
Royex House
Aldermanbury Square
London EC2V 7LD

DATED the 20th day of March, 1990.

WITNESS to all the above Signatures:

Denise Ward
Royex House
Aldermanbury Square
London EC2V 7LD

THE COMPANIES ACTS 1985 AND 1989

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed on 20th July 1990
Amended by Written Resolutions dated 19th November 1992, 26th May 1994,
28 December 1995 and 29 May 1996)

- of -

JARVIS HOTELS plc

JARVIS HOTELS plc

ARTICLES OF ASSOCIATION

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**THE COMPANIES ACTS 1985 AND 1989
COMPANY LIMITED BY SHARES**

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed on 20th July 1990
Amended by Written Resolutions dated 19th November 1992, 26 May 1994,
28 December 1995 and 29 May 1996)

- of -

JARVIS HOTELS plc

PRELIMINARY

1. Subject as hereinafter provided the Regulations contained or incorporated in Table A (hereinafter called "Table A") in the Schedule to The Companies (Tables A to F) Regulations 1985 shall apply to the Company save insofar as they are varied or excluded by or are inconsistent with the Articles hereinafter contained.
2. Regulations 2, 24, 54, 64 to 69 (inclusive), 73 to 77 (inclusive), 81 and 118 of Table A shall not apply to the Company.
3. [Deleted]

SHARE CAPITAL

4. The share capital of the Company is £62,990,000 divided into 60,500,000 A Cumulative Redeemable Preference Shares of 80 pence each (the "A Preference Shares"), 13,000,000 B Cumulative Redeemable Preference Shares of £1.00 each (the "B Preference Shares") (the A Preference Shares and B Preference Shares together the "Preference Shares"), 1,275,000 Cumulative Convertible Participating Preferred Ordinary Shares of £1 each (the "Preferred Shares"), 225,000 Ordinary Shares of £1 each (the "Ordinary Shares") and 90,000 A Ordinary Shares of £1 each (the "A Ordinary Shares").

DEFINITIONS

5. (A) In these Articles the following words shall have the following meanings:-
 - (1) the "Accounts" shall mean the audited profit and loss account of the Company or, if the Company has any Subsidiary or Subsidiaries, a consolidation of the audited profit and loss accounts of the Company and its Subsidiary or Subsidiaries, for each financial year;

- (2) "Adjusted Profits" shall mean a sum equal to the net profit of the Company or, if the Company has any Subsidiary or Subsidiaries, the consolidated net profit of the Company and its Subsidiary or Subsidiaries for the financial year in question (as disclosed (to the nearest Pound) by the Accounts):-
- (a) Before any provision or reserve shall have been made for or in respect of:-
- (i) Any extraordinary exceptional or non-trading items (including, for the avoidance of doubt, capital losses made on the disposal of any real property) or prior year adjustments which reduce the said net profit or consolidated net profit in the financial year in question;
- (ii) Corporation Tax (or any other tax levied upon or measured by reference to profits or gains) on the profits earned and gains realised by the Company and its Subsidiaries in the financial year in question;
- (iii) The payment of any dividend or other distribution on or in respect of any share in the capital of the Company or of any of its Subsidiaries or for the transfer of any sum to Reserves;
- (iv) The amortisation or writing off of goodwill or other intangible assets;
- (b) After such other adjustments as the Auditors may advise as appropriate to exclude the effect of any revaluation of any of the fixed assets of the Company or of any of its Subsidiaries undertaken in the financial year in question;
- (c) Before any credit shall have been taken for or in respect of any extraordinary exceptional or non-trading items (including, for the avoidance of doubt, capital gains made on the disposal of any real property) or prior year adjustments which increase the said net profit or consolidated net profit in the financial year in question;
- (3) "Auditors" shall mean the auditors of the Company for the time being;
- (4) "Business Information" shall have the meaning attributed thereto in the Investment Agreement;
- (5) "business day" shall mean any day (other than a Saturday) on which banks in England are generally open for business;
- (6) "credited as paid up" shall mean in relation to any share the aggregate of the nominal amount thereof and the amount of any premium paid thereon;

- (7) the "Facilities Agreement" shall mean the Agreement dated the date of amendment of this Article 5(A)(7) and made between the Company (1), the Governor and Company of the Bank of Scotland and others (2) ("the Banks") for the provision by the Banks of a term loan facility and a capital expenditure facility including any document or paper executed or required to be delivered pursuant thereto and/or any variation or replacement of every such agreement from time to time;
- (8) the "Fixed Preference Dividend" shall mean the dividend referred to in sub-paragraph (a) of paragraph (1) of Article 6;
- (9) "financial year" shall mean an accounting reference period (as defined by the Act) of the Company and its Subsidiary or Subsidiaries and whether the same is a year or any shorter or longer period;
- (10) "Group Company" shall mean in relation to any company a company which is a Subsidiary or a Holding Company thereof or a Subsidiary of a Holding Company thereof;
- (11) "Investor Affiliate" shall bear the meaning ascribed to it in the Investment Agreement;
- (12) the "Investment Agreement" shall mean the Agreement dated the date of amendment of this Article and originally made between J.F. Jarvis (1), D.O. Thomas (2), the persons whose names and addresses are set out in Part 2 of Schedule 1 thereof (3), the Company (4), Candover Investments PLC (5), Candover Nominees Limited (6), Candover (Trustees) Limited (7), certain limited partnerships in respect of all of which Candover Partners Limited is the general partner (8) to (13), Sun Alliance Trust Company Limited (14), certain limited partnerships in respect of which Electra Kingsway General Partner Limited is the general partner (15) to (17), certain limited partnerships in respect of which Electra Kingsway General Partner "B" Limited Partnership is the general partner (18) to (20), Electra Kingsway Limited (21), Kleinwort Benson Ventures Limited Partnership (22), Kleinwort Development Fund PLC (23), Kleinwort Charter Investment Trust PLC (24) Eagle Star Insurance Company Limited (25), Eagle Star Life Assurance Company Limited (26), J.A.B. Joll (27), Sun Life Assurance Society PLC (28), Second Charterhouse Buy-Out Limited Partnership (29), The Royal Bank of Scotland Trust Company (Jersey) Limited (30), Uberior Investments PLC (31), Charterhouse Development Limited (32), Dillon Read Limited (33), Northern and Midland Nominees Limited (34), and National Commercial & Glyns Limited (35) relating, inter alia, to the subscription for the B Preference Shares and/or any variation or replacement of such Agreement from time to time;
- (13) the "Loan Stock Instrument" shall bear the meaning ascribed to it in the Investment Agreement;

- (14) the "Ordinary Dividend" shall mean the dividend referred to in sub-paragraph (c) of paragraph (1) of Article 6;
- (15) the "Preferred Dividend" shall mean the dividend referred to in sub-paragraph (b) of paragraph (1) of Article 6;
- (16) "Quotation" shall mean:-
 - (i) The effective admission of the whole or any part of the issued equity share capital of the Company to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited within the meaning set out in paragraph 8 of Chapter 1 of Section 1 of "Admission of Securities to Listing" issued by authority of the Council of The Stock Exchange in November, 1984, as from time to time amended; or
 - (ii) The unconditional grant of permission to deal in the whole or any part of the issued equity share capital of the Company in the Unlisted Securities Market of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited;
- (17) the "Relevant Date" shall mean the date of adoption of these Articles;
- (18) the "Residue" shall mean the balance of the profits which the Company (but only on the prior recommendation of the Board of Directors) may determine to distribute in respect of any financial year after payment of the Fixed Preference Dividend, the Preferred Dividend and the Ordinary Dividend due (if any) in respect of such financial year;
- (19) "Sale" shall mean the sale, transfer or other disposal in one transaction to one person or to persons acting in concert (as hereinafter defined) of a beneficial interest in at least ninety per cent of the Ordinary Shares in issue from time to time (including, for these purposes, those arising upon conversion of Preferred Shares as a result thereof in accordance with the provisions of these Articles);
- (20) the "Sale and Purchase Agreement" shall mean the agreement dated 18th July, 1990 and made between Allied Breweries Limited (1) and the Company (2) relating to the sale and purchase of the business of Embassy Hotels;
- (21) "Subsidiary" and "Holding Company" shall have the meanings respectively ascribed thereto by Section 736 of the Companies Act 1985;
- (22) the "Warrantors" shall have the meaning ascribed to it in the Investment Agreement.

(B) The audited profit and loss account or (as the case may be) the audited consolidated profit and loss account referred to in sub-paragraph (1) of paragraph (A) of this Article 5 shall be prepared:-

- (1) Under the historical cost convention; and subject thereto
- (2) In accordance with the proposed accounting principles set out in the Business Information and other generally accepted accounting principles and all applicable Statements of Standard Accounting Practice.

SHARE RIGHTS

6. The Preference Shares the Preferred Shares the Ordinary Shares and the A Ordinary Shares shall (subject to paragraph (7) of this Article 6) have and enjoy the following rights and be subject to the following restrictions:-

(1) As regards income

- (a) The holders of the Preference Shares from time to time in issue shall be entitled to receive out of the profits of the Company available for distribution in priority to the payment of dividend to the holders of all or any other shares in the capital of the Company a fixed net cash cumulative dividend in respect of each financial year of the Company commencing with the financial year ending 31st March 1995 to be calculated and to accrue on a daily basis at the rate per annum set out in Column (A) below for the corresponding period set out in Column (B) below:-

(A)	(B)
Rate per annum	Financial year ending on
1.32 per cent.	31st March 1995
5.0 per cent.	thereafter

in each case on the amount paid up or credited as paid up thereon the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon, and to be payable yearly on the date (the "Preference Payment Date") which is the earlier of (i) the date falling four calendar months after each such financial year end of the Company and (ii) the date on which the Accounts in respect of such financial year are laid before the Company in general meeting, the first such dividend to be payable on the first Preference Payment Date following 31st March 1995 in respect of the financial year ending on such date. If, in any case, the Preference Payment Date shall not be a business day the required payment shall be paid on the first business day immediately following the relevant date;

- (b) Subject as aforesaid the holders of the Preferred Shares shall be entitled to receive out of the profits of the Company available for distribution:-

- (x) a cumulative participating net cash dividend in respect of the financial year ending 31st March 1995, of such sum as shall equal the aggregate of:-
- (i) two and a half per cent of the aggregate of the amount paid up or credited as paid up on the Preferred Shares, the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon, to accrue on a daily basis, and to be payable on the date (the "First Preferred Payment Date") which is the earlier of (aa) 31st July 1995 and (bb) the date on which the Accounts in respect of such financial year are laid before the Company in general meeting. If the First Preferred Payment Date shall not be a business day the required payment shall be paid on the first business day immediately following the relevant date; and
 - (ii) the amount (if any) by which five per cent of the Adjusted Profits exceeds the sum referred to in (i) above the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon and to be payable on the First Preferred Payment Date (or if such date shall not be a business day the first business day immediately following such date) PROVIDED that if the amount (if any) payable pursuant to this paragraph (ii) cannot be determined on the First Preferred Payment Date because the Accounts for the preceding financial year have not been audited then (aa) the amount (if any) payable pursuant to this paragraph (ii) shall be payable as soon as it can be determined and (bb) until such amount can be determined, the Preferred Dividend shall nevertheless, for the purposes only of Article 8(2), be deemed to be in arrears of an amount equivalent to £1 per Preferred Share, but such amount of deemed arrears shall not constitute a debt due from the Company to the relevant shareholders; and
 - (iii) an amount of £122,462.67, the same to be distributed amongst them according to the amounts paid up thereon and to be payable on the First Preferred Payment Date (or if such date shall not be a business day the first business day immediately following such date); and
 - (iv) twenty five per cent of the Aggregate Profit over Net Book Value (if any), on the disposals of hotels completed during such financial year, the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon, and to be payable on the date which is the later of (aa) 30th June 1995 and (bb) the date on which the Accounts in respect of such financial year are approved by the

Company in general meeting (the "First Disposals Preferred Payment Date") PROVIDED that the amount payable under this paragraph (iv) shall not exceed £1,000,000 gross (inclusive of any advance corporation tax). If the First Disposals Preferred Payment Date shall not be a business day the required payment shall be paid on the first business day immediately following the relevant date.

- (y) a cumulative participating net cash dividend in respect of each financial year of the Company commencing with the financial year ending 31st March 1996, of such sum as shall equal the aggregate of:-
 - (i) five per cent of the aggregate of the amount paid up or credited as paid up on the Preferred Shares, the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon, to accrue on a daily basis, and to be payable half yearly on the date (the "Preferred Payment Date") which is the earlier of (aa) the date falling four calendar months after each such financial year end of the Company and (bb) the date on which the Accounts in respect of such financial year are laid before the Company in general meeting, and 30th September in every year, the first such half yearly dividend to be payable on 30th September 1995 in respect of the period from 1st April 1995 to 30th September 1995. If, in any case, the Preferred Payment Date or 30th September shall not be a business day the required payment shall be paid on the first business day immediately following the relevant date; and
 - (ii) the amount (if any) by which five per cent of the Adjusted Profits exceeds the sum referred to in (i) above the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon and to be payable on the Preferred Payment Date in respect of the financial year concerned (or if, in any case, such date shall not be a business day the first business day immediately following such date) PROVIDED that if the amount (if any) payable pursuant to this paragraph (ii) cannot be determined on the Preferred Payment Date because the Accounts for the preceding financial year have not been audited then (aa) the amount (if any) payable pursuant to this paragraph (ii) shall be payable as soon as it can be determined and (bb) until such amount can be determined, the Preferred Dividend shall nevertheless, for the purposes only of Article 8(2), be deemed to be in arrears of an amount equivalent to £1 per Preferred Share, but such amount of deemed arrears shall not

constitute a debt due from the Company to the relevant shareholders; and

- (iii) twenty five per cent of the Aggregate Profit over Net Book Value (if any), on the disposals of hotels completed during such financial year, the same to be distributed amongst them according to the amounts paid up or credited as paid up thereon, and to be payable yearly on the date which is the later of (aa) the first 30th June following each such financial year end of the Company and (bb) the date on which the Accounts in respect of such financial year are approved by the Company in general meeting (the "Disposals Preferred Payment Date") the first such payment being made on the first Disposals Preferred Payment Date following 31st March 1996 PROVIDED that the amount payable under this paragraph (iv) shall not, in any financial year, exceed £1,000,000 gross (inclusive of any advance corporation tax). If, in any case, the Disposals Preferred Payment Date shall not be a business day the required payment shall be paid on the first business day immediately following the relevant date.

In this paragraph (b), "Aggregate Profit over Net Book Value" shall have the same meaning as defined in, and shall be calculated in accordance with, Clause 12.2(d) of the facilities agreement dated as of 18 July 1990 (as amended and restated by a supplemental agreement dated 19 November 1992) between, among others, the Company and the Governor and Company of the Bank of Scotland, and, in the event of any disagreement between the Bank and the Company as to the amount thereof, shall, for the purposes of this paragraph (b) be as conclusively determined by the Auditors.

- (c) Subject as aforesaid the holders of the Ordinary Shares and the A Ordinary Shares shall be entitled to receive out of the profits of the Company available for distribution in respect of financial years of the Company commencing, in the case of the Ordinary Shares, after 31st March 1995 and, in the case of the A Ordinary Shares, after 31st March 1997, a fixed net cash dividend at the rate of 5 per cent per annum of the amount paid up or credited as paid up thereon, such dividend to be payable in equal half yearly instalments on (i) the date which is the earlier of (aa) the date falling four calendar months after the end of the relevant financial year of the Company and (bb) the date on which the Accounts in respect of such financial year are laid before the Company in general meeting and (ii) 31st December in each year the first such dividend to be payable on 31st December, 1995 in respect of the period from 1st April, 1995 to 30th September, 1995 (or, if, in any case, the date on which an instalment of the Ordinary Dividend would otherwise be paid shall not be a business day then such instalment shall be paid on the first business day immediately following such date);

- (d) The profits of the Company available for distribution which the Company may determine to distribute in respect of any financial year shall, subject to the provisions of this Article, be paid within 7 days of the Accounts being laid before the Company in general meeting; and the amount distributed shall to the extent that the same is sufficient for the purpose (and to the extent not already so applied) be applied in the following order of priority:-
- (i) first, in paying to the holders of the Preference Shares any arrears deficiency or accruals of the Fixed Preference Dividend (if any);
 - (ii) secondly, in paying to the holders of the Preferred Shares any arrears deficiency or accruals of the Preferred Dividend (if any) on such shares;
 - (iii) thirdly, in paying to the holders of the Preference Shares the Fixed Preference Dividend payable in or respect of that year;
 - (iv) fourthly, in paying to the holders of the Preferred Shares the Preferred Dividend payable in or in respect of that year;
 - (v) fifthly, in paying to the holders of the Ordinary Shares and the A Ordinary Shares the Ordinary Dividend payable in or in respect of that year (if any);
 - (vi) subject to Article 31(1), the Residue shall be distributed amongst the holders of the Preferred Shares the Ordinary Shares and the A Ordinary Shares (pari passu as if the same constituted one class of share) in proportion to the numbers of shares held by them respectively.
- (e) For the avoidance of doubt it is hereby expressly provided that:-
- (i) The Fixed Preference Dividend the Preferred Dividend and the Ordinary Dividend shall (unless otherwise expressly stated) be paid in the amounts or at the rates mentioned exclusive of the imputed tax credit at the rate from time to time prevailing;
 - (ii) The Fixed Preference Dividend and the Preferred Dividend shall be due and payable on the dates or at the times herein stipulated and notwithstanding the fact that the same are expressed to be, and shall in the event of their not being paid be "cumulative" the amounts due and payable on such dates or at such times shall ipso facto and without any resolution of the Directors or the Company in General Meeting (and notwithstanding anything contained in Regulations 102 to 105 (inclusive) of Table A) become a debt due from and immediately payable by the Company to the holders of the shares entitled to such dividend(s) (subject only to there being profits out of which the same may lawfully be paid) Provided that any such

dividend shall not become a debt as aforesaid if the Board of Directors resolves that such dividend should not be paid and such resolution is approved by holders of a majority in nominal value of the class of shares on which such dividend would otherwise be paid;

- (iii) No dividends shall be declared or paid on any class of shares in respect of any financial year ending prior to 1st April 1994;
- (iv) No dividends shall be declared or paid on any class of shares if and for so long as the Company has not made any payment of interest due under the Loan Stock Instrument. The unpaid portion of such dividends shall (until such time as there are no such payments of interest due under the Loan Stock Instrument which have not been made by the Company) not become a debt due from the Company to the relevant shareholders, whether or not the majority in nominal value of the class of shares on which such dividend would otherwise be paid have so resolved, but otherwise without prejudice to Article 6(1)(e)(i) and (ii). Any such non-payment pursuant to this Article 6(1)(e)(iv) shall be treated for all purposes of these Articles as following upon a failure by the Company to make sufficient distributable profits, and shall not be treated as being a breach of the rights of any class of shareholders and (save to the extent specifically provided in this paragraph) this paragraph is without prejudice to any provisions of these Articles specifying the consequences of any such non-payment;
- (v) If the Directors resolve pursuant to Section 223(3) of the Act that a financial year should end with a date other than 31st March, then such resolution(s) shall, solely for the purposes of these Articles, be disregarded.
- (f) Notwithstanding Article 6(1)(d), in the event that shareholders waive any arrears of dividend, or any amount which is only payable on a redemption of Preference Shares, then the directors may resolve to pay a special interim dividend to the shareholders, or to any class or classes thereof, as determined by the directors, Provided that no such payment shall be made prior to a Quotation.

(2) As regards capital

On a return of capital on liquidation the surplus assets of the Company remaining after payment of its liabilities shall be applied:-

- (a) first, in repaying to the holders of the Preference Shares:-
 - (i) the amount paid up or credited as paid up thereon; and

- (ii) a sum equal to any arrears deficiency or accruals of the Fixed Preference Dividend thereon (such arrears deficiency or accruals to be calculated down to the date of the return of capital on the basis that such dividends are payable irrespective of whether they have been declared or not); and
 - (iii) (in addition to the sum payable pursuant to paragraph (ii) above) a sum equal to the aggregate of the Fixed Preference Dividends payable thereon in respect of the period from 1st April, 1993 to the date of the return of capital, irrespective of whether such Fixed Preference Dividends were paid or not; and
 - (iv) (to the holders of the A Preference Shares only, in the event of a return of capital on a liquidation after 31st March, 1993) an amount of £0.05638 per A Preference Share;
 - (b) next, in repaying to the holders of the Preferred Shares:-
 - (i) the amount paid up or credited as paid up thereon; and
 - (ii) a sum equal to any arrears deficiency or accruals of the Preferred Dividend thereon (such arrears to be calculated down to the date of the return of capital on the basis that such dividends are payable irrespective of whether they have been declared or not (or in the case of the sum referred to in Article 6(1)(b)(ii) in respect of the most recently completed financial year of the Company in respect of which Accounts have been laid before the Company in general meeting));
 - (c) next, in repaying to the holders of the Ordinary Shares and the A Ordinary Shares:-
 - (i) the amount paid up or credited as paid up thereon;
 - (ii) a sum equal to any accruals of the Ordinary Dividend thereon (such accruals to be calculated down to the date of the return of capital on the basis that such dividends are payable irrespective of whether they have been declared or not);
 - (d) the balance (if any) of such assets shall belong to and be distributed amongst the holders of the Preferred Shares the Ordinary Shares and the A Ordinary Shares (pari passu as if the same constituted one class of share) in proportion to the numbers of shares held by them respectively.
- (3) As regards the proceeds of sale

In the event of the sale of the whole of the issued share capital of the Company whether to a private purchaser or purchasers or to an institution or to the public the proceeds of such sale shall (subject to the provisions of paragraph (5) of this Article

and paragraph (3) of Article 31) be re-apportioned so as to ensure that the order of application of the sale proceeds shall be re-applied as if they were surplus assets arising on a return of capital as contemplated under paragraph (2) of this Article.

(4) As regards redemption

The following provisions shall have effect with regard to the redemption of the Preference Shares:-

- (a) The Company shall have the right but only upon a resolution of the Directors at any time subject to:
 - (i) the provisions of the Act
 - (ii) all arrears deficiency and accruals of the Fixed Preference Dividend and the Preferred Dividend having been paid or satisfied in full

to redeem the whole or any number (being 50,000 or a whole number multiple thereof) of the Preference Shares for the time being issued and outstanding upon giving to the holders of the Preference Shares to be redeemed not less than one month's previous notice in writing

- (b) In the case of any partial redemption under sub-paragraph (a) of this paragraph of this Article, the Company shall redeem that proportion of the holding of each holder of Preference Shares corresponding to the proportion which the number of Preference Shares proposed to be redeemed bears to the number of Preference Shares issued and outstanding immediately prior to the date of the proposed redemption (fractions being disregarded)
- (c) Subject to the provisions of the Act the Company shall in any event redeem the following numbers of Preference Shares (or so many thereof as then remain unredeemed) on the following dates (or, if any of such dates is not a business day, then on the business day immediately following that date):-

Date of Redemption	Number of A Preference Shares	Number of B Preference Shares
31st December, 1998	6,050,000	1,300,000
31st December, 1999	6,050,000	1,300,000
31st December, 2000	6,050,000	1,300,000
31st December, 2001	6,050,000	1,300,000
31st December, 2002	6,050,000	1,300,000
31st December, 2003	6,050,000	1,300,000
31st December, 2004	6,050,000	1,300,000
31st December, 2005	6,050,000	1,300,000
31st December, 2006	6,050,000	1,300,000
31st December, 2007	6,050,000	1,300,000

PROVIDED ALWAYS that:-

- (i) The Company shall on each of the dates specified in this sub-paragraph redeem that proportion of the holding of each holder of Preference Shares corresponding to the proportion which the number of Preference Shares falling due for redemption on such date bears to the number of Preference Shares issued and outstanding immediately prior to such date (fractions being disregarded)
 - (ii) Any redemption effected pursuant to sub-paragraph (a) of this paragraph of this Article shall for the purpose of this sub-paragraph be treated as a redemption of those Preference Shares first falling due for redemption under the provisions of this sub-paragraph
 - (iii) If the Company shall be unable in compliance with the provisions of the Act to redeem all or any of the Preference Shares in accordance with this sub-paragraph on the date or dates specified in this sub-paragraph then the Company shall redeem such shares as soon after such date or dates as the Company shall be able to comply with the provisions of the Act.
- (d) Subject to the Act the Company shall in the event of a Sale or Quotation (or in either such case as soon thereafter as the Company shall be able to comply with the provisions of the Act) redeem the Preference Shares or so many thereof as are outstanding.
- (e) Save in respect of any redemption of Preference Shares pursuant to paragraph (4)(d) of this Article 6 (in respect of which there shall be no requirement to give notice) not less than one month's previous notice in writing shall be given by the Company to the holders of Preference Shares to be redeemed pursuant to paragraph (4) of this Article 6. Any notice of redemption shall specify the particular shares to be redeemed, the date fixed for redemption and the place in the United Kingdom at which the certificates for such shares are to be presented for redemption and upon such date each of the holders of the shares concerned shall be bound to deliver to the Company at such place the certificates for such of the shares concerned as are held by him in order that the same may be cancelled. Upon such delivery the Company shall pay to such holder the amount due to him in respect of such redemption (rounded downwards to the nearest whole £0.01). If any certificate so delivered to the Company includes any Preference Shares which are not to be redeemed on that occasion a fresh certificate for such shares shall be issued to the holder delivering such certificate to the Company. If a certificate in respect of any Preference Shares to be redeemed is not delivered on or before the due date and to the specified place, such Preference Shares shall nevertheless be treated as having been redeemed on the due date, but the Company shall not be obliged to pay any monies due in respect thereof until 7 days after such delivery

- (f) There shall be paid on each Preference Share redeemed:-
- (i) the amount paid up or credited as paid up thereon; and
 - (ii) a sum equal to any arrears deficiency or accruals of the Fixed Preference Dividend thereon (such arrears deficiency or accruals to be calculated down to the date of redemption on the basis that such dividends are payable irrespective of whether they have been earned or declared or not); and
 - (iii) (in the event only of a Sale or Quotation and in addition to the sum payable pursuant to paragraph (ii) above) a sum equal to the aggregate of the Fixed Preference Dividends payable thereon in respect of the period from 1st April 1994 to the date fixed for redemption thereof, irrespective of whether such Fixed Preference Dividends were paid or not; and
 - (iv) (in the event only of a Sale or Quotation) an amount of £0.05; and
 - (v) (in the event only of a Sale or Quotation on or before 1 April 1995) an amount equal to £0.04358 multiplied by a fraction of which the numerator is the number of days elapsed from 1 April 1994 to the date of the Sale or Quotation (both dates inclusive), and the denominator is 365; and
 - (vi) (in the event only of a Sale or Quotation after 1st April 1995) an amount of £0.04358; and
 - (vii) (on each A Preference Share only, in the event only of a Sale or Quotation) an amount of £0.05638.
- (g) As from the date fixed for redemption of any Preference Shares the Fixed Preference Dividend thereon shall cease to accrue except on or in relation to any share in respect of which upon due presentation of the certificate relating thereto payment of the redemption moneys is refused.
- (h) Notwithstanding paragraph (4)(d) of this Article 6, in the event of a Quotation the holders of the Preference Shares may require the Company to convert some or all of the Preference Shares (as they may specify) into "ordinary shares" (as defined below) in which case the provisions of this paragraph shall apply. All relevant Preference Shares to be converted shall be consolidated into one share, pursuant to the authority granted by the adoption of this article. The consolidated share shall then be sub-divided into shares of 5p each (or such other nominal amount as may be appropriate as a result of any sub-division of Ordinary Shares upon a Quotation), of which:
- (i) such number of the shares which, when valued at the "offer price" (as defined below) shall be equivalent in value to the aggregate the

amount paid up or credited as paid up on the Preference Shares to be converted, shall be designated as "ordinary shares" (ignoring fractions); and

- (ii) the remainder of the shares (including fractions) shall be designated as "non-voting deferred shares", having the rights set out below.

In this paragraph (h) "ordinary shares" means shares of the same class, and ranking pari passu in all respects with, those shares which result from the sub-division and/or redesignation of the Ordinary Shares upon a Quotation, and "offer price" means the finally determined price at which shares in the Company are offered to the public for sale or subscription as part of a Quotation.

The non-voting deferred shares confer the right on a return of capital on a winding-up or otherwise only to the repayment of the amounts paid up or credited as paid up on the non-voting deferred shares after repayment of the capital paid up or credited as paid up on each of the other shares in the Company and the payment of a further amount of £500,000 in respect of each such other share. The non-voting deferred shares do not confer the right to be paid a dividend or to receive notice of or to attend or vote at a general meeting. Conversion of a Preference Share under this article is deemed to confer irrevocable authority on the board at any time after conversion:

- (i) to appoint a person to execute on behalf of each holder of non-voting deferred shares an instrument of transfer for and/or an agreement to transfer all or some of the non-voting deferred shares, without making any payment to the holder, to such person as the board may decide, as custodian; and
- (ii) to purchase on behalf of the Company all or some of the non-voting deferred shares (subject to the provisions of the Companies Act 1985) for a price of 1p for all the non-voting deferred shares purchased, without obtaining the sanction of the holder.

Pending the transfer and/or purchase the Company is entitled to retain the certificates for the non-voting deferred shares. The Company may at its option (exercisable by resolution of the board) at any time and without prior notice to the holders redeem all or any of the non-voting deferred shares then in issue for 1p for all the non-voting deferred shares so redeemed.

(5) As to Conversion

- (a) The holding of each holder of Preferred Shares shall:-

- (i) upon request being made of the Company by means of 7 days prior written notice signed by or on behalf of the holders of not less than 75 per cent in nominal value of the Preferred Shares in issue at the

date of such written notice Provided that no such notice shall be valid unless:

- (aa) it is given after 31st March 1995; or
- (bb) it is given while the circumstances set out in paragraph (2)(aa) or (2)(bb) of Article 8 prevail; or
- (cc) there shall have been a breach of Section IV or V of the Investment Agreement or of the Facilities Agreement or of the Loan Stock Instrument, in each case arising after the date of execution of the Investment Agreement (including, for the avoidance of doubt, the occurrence of an event of default under the Facilities Agreement or the Loan Stock Instrument) and such breach shall have remained (if remediable) unremedied for, or is not waived within, a period of 21 days from the time at which the Company or either or both of the Warrantors is given written notice of the same or is otherwise undischarged in any such case Provided that
 - (AA) no such notice may be given after such breach has been waived or (if remediable) has been remedied; and
 - (BB) in the case of a breach of Section IV or Section V of the Investment Agreement no such notice to convert may be given after the expiry of a period of six months following the date on which Candover (as defined in the Investment Agreement) gives written notice to the Company that such a breach has occurred;

- (ii) upon a Sale or Quotation

be converted ("Conversion") by redesignation into such number of additional Ordinary Shares as shall equal the number of Preferred Shares held by such holder

- (b) Upon Conversion becoming effective the Company shall be obliged:-

- (i) To convene such meetings, seek such authorities and make such amendments to these Articles as may be requisite;
- (ii) To issue substitute share certificates for the new Ordinary Shares arising on such Conversion against surrender by a holder of the certificate representing the former holding of Preferred Shares

- (c) The Preferred Dividend payable upon Preferred Shares subject to Conversion in respect of the financial year in which Conversion occurs shall (to the extent provided for in paragraph (l)(b)(i) of this Article) accrue down to and (together with all arrears of the Preferred Dividend whether declared or not) be paid upon the date of Conversion but no further amount of Preferred Dividend shall be payable in respect of that financial year under paragraph (l)(b)(ii) of this Article
- (d) The Ordinary Shares arising on Conversion shall carry the right to receive in full all dividends and other distributions declared made or paid on the Ordinary Shares by reference to a record date falling on or after the date of Conversion and shall in all other respects rank pari passu with the Ordinary Shares then in issue

(6) As to Voting Rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote and on a poll every member who is present in person or by a proxy or (being a corporation) is present by a representative shall (except as hereinafter provided) have one vote for every share in the capital of the Company of which he is the holder PROVIDED ALWAYS THAT whilst the Preference Shares shall entitle the holders thereof to receive notice of and attend at all General or other meetings of the Company they shall not entitle the holders to vote or speak at any such meeting.

(7) Facilities Agreement

Notwithstanding anything else in this Article, the payment of dividends on all classes of the shares, and the redemption of any class of shares, shall be made only if and to the extent permitted by the Facilities Agreement. If the payment of all or any part of such dividend, or the redemption of any part of the shares which would otherwise fall to be redeemed hereunder, cannot be paid by virtue of the Facilities Agreement, then:

- (a) no such payment shall be made nor shall the unpaid portion thereof become a debt due from the Company to the relevant shareholders, whether or not the majority in nominal value of the class of shares on which such dividend would otherwise be paid have so resolved, but otherwise without prejudice to Article 6(1)(e);
- (b) any such non-payment or non-redemption pursuant to this Article 6(7) shall be treated for all purposes of these Articles as following upon a failure by the Company to make sufficient distributable profits, and shall not be treated as being a breach of the rights of any class of Shareholders and (save to the extent specifically provided in this paragraph) this paragraph is without

prejudice to any provisions of these Articles specifying the consequences of any such non-payment or non-redemption; and

(c) such payment shall be made as soon as the Facilities Agreement permits.

(8) The B Preference Shares

Save as expressly set out in this Article 6, the B Preference Shares shall rank *pari passu* in all respect with the A Preference Shares.

(9) Generally

For the avoidance of doubt, any dividend on any class of shares which cannot be paid due to an insufficiency of distributable profits shall be deemed to be in arrears for the purposes of these Articles.

ISSUE OF NEW SHARES

7. (A) Unless otherwise determined by Special Resolution of the Company in General Meeting and subject as provided in paragraphs (B) (C) (D) and (E) of this Article and in Article 8 below any existing authorised shares for the time being unissued and any new shares from time to time to be created shall before they are issued be offered to the holders of the Preferred Shares the Ordinary Shares and the A Ordinary Shares in the proportions which their respective holdings of such shares bears to the aggregate number of Ordinary Shares A Ordinary Shares and Preferred Shares then in issue. Such offer shall be made by notice specifying the number and class of shares offered, the price at which such shares are offered and limiting a time of at least 14 days within which the offer, if not accepted, will be deemed to be declined and after the expiration of such time, or on the receipt of a written notice from the person to whom the offer is made that he declines to accept the shares offered or any of them, the Directors shall offer the shares so declined in like manner to the other holders of the Preferred Shares A Ordinary Shares and Ordinary Shares. If the shares comprised in such further offer are declined or deemed to be declined such further offer shall be withdrawn and such shares may then be issued on not more favourable terms to such persons as the Directors may decide. The provisions of Sections 89 and 90 of the Act shall have effect only insofar as they are not inconsistent with this Article.
- (B) In the event that a Warrantor has ceased to be an employee of the Company or any Subsidiary otherwise than by reason of fraud or dishonesty without becoming or remaining an employee of the Company or any Subsidiary then (during such time as such person or any Relevant Member (as defined in Article 13) in respect of such person remains a member of the Company) any further shares proposed to be issued by the Company shall be issued at a price certified by the Auditors in the like manner (so far as is appropriate) as is provided for in Article 13(B) hereof (but after making such adjustments as they deem necessary to take account of the fact, if the case, that the shares to be issued have rights different from those attaching to the Preferred

Shares and the Ordinary Shares) the Auditors certificate having been given not more than one month before the date of such offer.

- (C) The provisions of paragraph (A) of this Article shall not apply to any issue of shares pursuant to any option or right of conversion provided that:-
- (i) the said option or right is conferred in connection with the provision of loan finance to the Company; and
 - (ii) if the circumstances set out in paragraph (B) of this Article prevail the price per share at which such option or right is exercisable shall be a price determined in the like manner as is provided for in paragraph (B) of this Article, the Auditors certificate having been given not more than one month before the date on which the option or right is conferred.
- (D) Subject as aforesaid and as provided in Article 8 and subject to the provisions of Section 80 of the Act the shares for the time being unissued shall be at the disposal of the Directors who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper, provided that no shares shall be issued at a discount.
- (E) The provisions of paragraphs (A) (B) (C) and (D) of this Article and of Sections 89 and 90 of the Act shall not apply to any issue of Preferred Shares and Preference Shares pursuant to Clause 4 of Section III of the Investment Agreement.

VARIATION OF CLASS RIGHTS

8. Whenever the capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up in the case of the Preferred Shares with the consent in writing of the holders of 66 per cent (in nominal value) of the issued shares of the class or with the sanction of a resolution approved by the holders of not less than 66 per cent (in nominal value) of the issued shares of the class at a separate meeting of the holders of that class but not otherwise and in the case of the Ordinary Shares or Preference Shares with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of that class but not otherwise excluding, in the case of the Ordinary Shares, in relation to both a written consent and an Extraordinary Resolution any Ordinary Shares registered in the name of a Leaver for Cause (as defined in Article 12) who ceased to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty or in the name of any Relevant Member (as defined in Article 13) in respect of such Leaver for Cause and Provided that in the event both of the Warrantors are no longer employees of the Company or any of its Subsidiaries the references above to "three quarters in nominal value" and "an Extraordinary Resolution" shall be replaced by references to "a majority" and "an Ordinary Resolution" respectively in relation to any sanction required in relation to the holders of Ordinary Shares. To every such separate meeting all the provisions of these Articles relating to General Meetings of the Company or the proceedings thereat shall mutatis mutandis apply

except that the notice period for such meeting shall be 14 days and the necessary quorum shall be one person at least holding or representing by proxy 20 per cent in nominal amount of the issued shares of the class and that the holders of shares of the class shall on a poll have one vote in respect of every share of the class held by them respectively.

PROVIDED THAT without prejudice to the generality of this Article:-

- (1) It is a term of issue of the Preferred Shares that the rights attached to such shares shall be deemed to be varied by the occurrence of any of the following events:-
- (i) Any increase in or the granting of options over or alteration or variation or reduction of the authorised or issued capital of the Company or any Subsidiary (save for any issue of Preference Shares and Preferred Shares pursuant to Clause 4 of Section III of the Investment Agreement and save for Conversion) or any alteration to or variation of any of the rights attached to or any redemption (other than a redemption of Preference Shares in accordance with paragraph (4) of Article 6 of these Articles) or purchase by the Company or any Subsidiary of any of the shares for the time being in the capital of the Company or any Subsidiary; or
 - (ii) Any disposal or issue (otherwise than to the Company or its wholly-owned Subsidiaries) of any issued or unissued share capital of any of the Subsidiaries; or
 - (iii) The acquisition or disposal by the Company or by any Subsidiary of the Company of the whole or any part of the share capital of any body corporate or of assets or of the whole or any part of the undertaking of any person, body corporate or other entity which if the Company were listed on the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited would constitute a transaction falling within Super Class 1 as defined for the purposes of the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited concerning acquisitions and realisations of assets by listed companies and their subsidiaries as such regulations are in force at the Relevant Date; or
 - (iv) Any distribution (which expression shall be deemed to include every description of distribution of the Company's or any non wholly-owned Subsidiary's assets to its members, whether in cash or otherwise), other than by way of payment of the Fixed Preference Dividend or the Preferred Dividend or arrears or accruals thereof or on a redemption of the Preference Shares, by the Company or any non wholly-owned Subsidiary out of capital profits or capital reserves (including any share premium account or capital redemption reserve) or out of profits or reserves arising from a distribution of capital profits or capital reserves (including as aforesaid) by any non wholly-owned Subsidiary; or

- (v) Any resolution for the reduction of the share capital of the Company or any non wholly-owned Subsidiary or any uncalled liability in respect thereof, or
 - (vi) Any resolution (whether pursuant to Part II of the Act or otherwise) whereby the classification or status of any Subsidiary may be changed; or
 - (vii) Any exercise by the Company or any Subsidiary of the powers conferred by Section 719 of the Act; or
 - (viii) Any act or omission whereby the limits on borrowings contained in Article 21 would be exceeded.
- (2) It is a term of issue of the Ordinary Shares that the rights attached to such shares shall be deemed to be varied by (and only by) the occurrence of any of the events referred to in sub-paragraphs (i) to (v) (inclusive) of this paragraph (2) Provided that in the event that at the time of the occurrence of such an event:-
- (aa) (unless the circumstances envisaged by the proviso to paragraph (1)(e)(ii) of Article 6 exist in respect of the unpaid dividend in question, or the dividend is in respect of any of the three years ending 31 March 1998 and the payment thereof is prohibited by the Facilities Agreement) the Fixed Preference Dividend or the Preferred Dividend is six months or more in arrear (whether in whole or in part) (by reference to the payment dates stipulated in sub-paragraphs (a) and (b) respectively of paragraph (1) of Article 6 of these Articles) (whether or not there were sufficient profits or other funds out of which such dividends could be paid); or
 - (bb) any Preference Shares due to be redeemed in accordance with sub-paragraph (c) of paragraph (4) of Article 6 of these Articles shall have remained unredeemed (whether in whole or in part) for a period of six months or more from the due date for redemption thereof (whether or not there were sufficient profits or other funds out of which such redemption could be made); or
 - (cc) (unless the interest is in arrear as a result of the holders of the Stock (as defined in the Loan Stock Instrument) agreeing to defer interest in connection with the borrowing by the Company of up to £5 million to fund the acquisition of a hotel-owning company as contemplated by the Facilities Agreement) the interest payable in respect of the Stock (as so defined) is six months or more in arrear (whether in whole or in part) by reference to the payment dates stipulated in the Loan Stock Instrument (whether or not there were sufficient profits or other funds out of which such interest could be paid); or
 - (dd) both John Jarvis and David Thomas are or have become a Leaver for Cause (as defined in Article 12(H))

the occurrence of any of the events referred to in sub-paragraphs (i) to (v) (inclusive) of this paragraph (2) shall not amount to the variation or abrogation of the rights attaching to any Ordinary Shares. The events hereinbefore referred to are:-

- (i) Any increase in or granting of options over or alteration or variation or reduction of the authorised or issued capital of the Company or any Subsidiary (save for any issue of Preference Shares and Preferred Shares pursuant to Clause 4 of Section III of the Investment Agreement and save for Conversion) or any alteration to or variation of any of the rights attached to or any redemption (other than redemption of Preference Shares in accordance with paragraph (4) of Article 6) or purchase by the Company or any Subsidiary of any of the shares for the time being in the capital of the Company or any Subsidiary;
- (ii) The passing of any Special Resolution or Extraordinary Resolution of the Company other than in respect of the removal of a director pursuant to Article 24;
- (iii) The acquisition or disposal by the Company or by any Subsidiary of the Company of the whole or any part of the share capital of any body corporate or of assets or of the whole or any part of the undertaking of any person, body corporate or other entity which if the Company were listed on the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited would constitute a transaction falling within Super Class 1 as defined for the purposes of the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited concerning acquisitions and realisations of assets by listed companies and their subsidiaries as such regulations are in force at the Relevant Date;
- (iv) Any transaction which if the Company were listed on the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited would constitute a transaction falling within Class 4 by reason of it being a transaction with a substantial shareholder (as defined in the regulations referred to below) as defined for the purposes of the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited concerning acquisitions and realisations of assets by listed companies and their subsidiaries as such regulations are in force at the Relevant Date;
- (v) Payment of any dividend other than the Fixed Preference Dividend, the Preferred Dividend and the Ordinary Dividend.

LIEN

9. The lien conferred by regulation 8 in Table A shall attach to fully paid up shares, and to all shares registered in the name of any person indebted to the Company, whether he shall be the sole registered holder thereof or shall be one of two or more joint holders.

TRANSFERS OF SHARES

10. (A) The Directors shall not register any transfer of any share not being:-

- (a) A transfer of Preference Shares or Preferred Shares or Ordinary Shares held by any of the Investors or their nominees to an Investor Affiliate
- (b) A transfer permitted by paragraph (B) of this Article
- (c) A transfer made pursuant to and in accordance with the provisions of Article 13 and (if applicable) Article 14;

or which is made in breach of any provision of Section VII of the Investment Agreement.

- (B) (1) Any shares may at any time be transferred by any individual member to trustees to be held upon family trusts related to such individual member.
- (2) Where shares have been transferred under paragraph (1) above or under sub-paragraph (a) or (b) of this paragraph or under any paragraph of Article 13 to trustees of family trusts or have been issued to trustees to hold upon trusts which are family trusts in relation to a member or are held by the trustees of an employee trust the trustees and their successors in office may transfer all or any of the Relevant Shares as follows:-
 - (a) on any change of trustees, the Relevant Shares may be transferred to the new trustees of the family trust or employee trust concerned;
 - (b) on the total or partial termination of or pursuant to the terms of the family trust or employee trust concerned or in consequence of the exercise of any power or discretion vested in the trustees thereof, all or any of the Relevant Shares may at any time be transferred (in the case of a family trust) to the relevant member or former member or any privileged relation of the relevant member or deceased or former member or (in the case of an employee trust) to any beneficiary.
- (3) If and whenever any of the Relevant Shares come to be held otherwise than upon a family trust or an employee trust, except in circumstances whereunder a transfer thereof is authorised to be and is made pursuant hereto, it shall be the duty of the trustees holding such shares to notify the Directors in writing that such event has occurred and the trustees shall be bound to give a Transfer Notice (as defined in Article 12(D)) forthwith in respect of the Relevant Shares concerned and the provisions of these Articles in relation to such Transfer Notice shall then apply.

11. For the avoidance of doubt the Directors shall forthwith upon its presentation to them register any transfer described in paragraph (1)(a) (b) or (c) of Article 10 (A) of these Articles subject

to production to the Directors of such evidence (if any) as they may reasonably require that the applicable provisions of Section VII of the Investment Agreement have been complied with and subject to such transfer not being contrary to any applicable laws or regulations (including, without limitation, those relating to stamp duty) or these Articles.

12. In Articles 10, 13 and 14 of these Articles the following words shall bear the following meanings:-

- (A) "Shares" shall mean Preference Shares, Preferred Shares or Ordinary Shares;
- (B) "Member" shall mean a holder of Shares;
- (C) "Proposing Transferor" shall mean a Member proposing (or required) to dispose of Shares or any interest therein;
- (D) "Transfer Notice" shall mean a written notice served (or deemed served) by a Member on the Company indicating his desire to dispose of Shares or any interest therein;
- (E) the "Prescribed Price" shall mean:-
 - (a) in the case of a Preference Share, the amount paid up or credited as paid up thereon together with all arrears and accruals of the Preference Dividend thereon up to the date the Transfer Notice is given;
 - (b) in the case of a Preferred Share, the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles;
 - (c) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given other than by an Involuntary Leaver or a Leaver for Cause (including persons who are Relevant Members (as defined below) in relation to the Involuntary Leaver or Leaver for Cause on or before the date falling 18 months after the Relevant Date the lesser of (i) the amount paid up or credited as paid up thereon and (ii) the Price certified by the Auditors pursuant to paragraph (B) of Article 13;
 - (d) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) at any time who ceases to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty the lesser of:-
 - (i) the amount paid up or credited as paid up thereon; and
 - (ii) 25 per cent of the Price certified by the Auditors pursuant to paragraph (B) of Article 13 or (in the case of a Transfer Notice given or deemed given following the date falling three years after the Relevant Date) such greater percentage of the Price so certified which

would have pertained had the Leaver for Cause ceased to be employed other than by reason of fraud or dishonesty;

- (e) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (other than a Leaver for Cause who ceased to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty) (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) on or before the date falling 18 months after the Relevant Date the lesser of:-
 - (i) the amount paid up or credited as paid up thereon; and
 - (ii) 25 per cent of the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles
- (f) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (other than a Leaver for Cause who ceases to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty) (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) after the date falling 18 months after the Relevant Date but on or before the date falling three years after the Relevant Date, 25 per cent of the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles;
- (g) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (other than a Leaver for Cause who ceases to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty) (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) after the date falling three years after the Relevant Date but on or before the date falling four years after the Relevant Date, 50 per cent. of the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles;
- (h) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (other than a Leaver for Cause who ceases to be employed by the Company or any of its Subsidiaries by reason of fraud or dishonesty) (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) after the date falling four years after the Relevant Date but on or before the date falling five years after the Relevant Date, 75 per cent. of the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles;
- (i) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by a Leaver for Cause (other than a Leaver for Cause who ceases to be employed by the Company or any of its Subsidiaries by reason of fraud) (including persons who are Relevant Members (as defined below) in relation to the Leaver for Cause) after the date falling five years

after the Relevant Date the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles; and

- (j) in the case of an Ordinary Share the subject of a Transfer Notice given or deemed to have been given by an Involuntary Leaver (including persons who are Relevant Members (as defined below) in relation to the Involuntary Leaver) or given or deemed to have been given after the date falling 18 months after the Relevant Date otherwise than by a Leaver for Cause, the Price certified by the Auditors pursuant to paragraph (B) of Article 13 of these Articles;
- (F) "Purchaser" shall mean person selected by the Board of Directors of the Company pursuant to sub-paragraph (C)(l)(a) of Article 13 of these Articles or as the case may be a Member offered shares in accordance with these Articles willing to purchase Shares comprised in a Transfer Notice;
- (G) the "Priority Rights" shall mean the rights of Members to purchase Shares comprised in a Transfer Notice in the priority stipulated in sub-paragraph (D) of Article 13 of these Articles;
- (H) "Leaver for Cause" shall mean an employee of the Company or a Subsidiary who ceases to be an employee by reason of such employee's voluntary resignation from his office or position of employment with the Company or a Subsidiary in circumstances where he does not remain or become an employee of the Company or a Subsidiary and which do not constitute constructive dismissal or deemed constructive dismissal under the relevant employee's service agreement, or whose position or employment is terminated by the Company or the relevant Subsidiary by virtue of the exercise of a right to terminate for cause without notice (other than death, sickness or injury) such position of employment contained in the relevant employee's service agreement or (as the case may be) contract of employment with the Company or the relevant Subsidiary and "Involuntary Leaver" shall mean any employee of the Company or any Subsidiary who ceases to be such an employee of the Company or a Subsidiary in circumstances where he does not remain or become an employee of the Company or a Subsidiary and such that he is not a Leaver for Cause. In the event of there being any dispute as to whether an employee is or has become a Leaver for Cause or an Involuntary Leaver the Board of Directors of the Company may resolve at any time to elect to treat the member concerned as an Involuntary Leaver and such resolution shall be final and binding on all holders of Shares;
- (I) "privileged relation" shall mean and include in relation to any particular individual Member or deceased or former Member the spouse, parents of that Member and every child and remoter issue of that Member and of that Member's parents and spouses of such children and issue;
- (J) "family trusts" shall mean and include, as regards any particular individual Member or deceased or former individual Member, trusts (whether arising under a settlement, declaration of trust or other instrument by whomsoever or wheresoever made or

under a testamentary disposition or on an intestacy) under which no immediate beneficial interest in any of the shares in question is for the time being vested in any person other than that individual and/or privileged relations of that individual and so that for the purposes aforesaid a person (other than the relevant trustee) shall be deemed to be beneficially interested in a share if such share or the income thereof is or may become liable to be transferred or paid or applied or appointed to or for the benefit of such person or any voting or other rights attaching thereto are or may become liable to be exercisable by or as directed by such person pursuant to the terms of the relevant trusts or in consequence of an exercise of a power or discretion conferred thereby on any person or persons;

(K) "Relevant Shares" shall mean and include (so far as the same remain for the time being held by the trustees of any family trust or employee trust) the Shares originally transferred or issued to such trustees, any additional Shares issued to such trustees by way of capitalisation or acquired by such trustees in exercise of any right or option granted or arising by virtue of the holding of the Relevant Shares or any of them or the membership of the Company thereby conferred;

(L) "employee trust" means any trust (whether arising under a settlement, declaration of trust or other instrument by whomsoever or wheresoever made or under a testamentary disposition or on an intestacy) under which no immediate beneficial interest (such term being construed in the like manner, mutatis mutandis, as is provided in paragraph (J) above) in any of the Shares in question is for the time being vested in any person other than a beneficiary;

(M) "beneficiary" means an employee or former employee from time to time of the Company or any Subsidiary or a spouse, widow, widower, child or step-child under the age of eighteen of any such employee or former employee.

13. Except as provided by Article 10(1) of these Articles the right to transfer Shares or any interest therein shall be subject to the following restrictions, namely:-

(A) Before transferring any Shares (or any beneficial interest therein) the Proposing Transferor shall serve a Transfer Notice on the Company and the Transfer Notice shall constitute the Company his agent for the sale of the Shares therein mentioned at the Prescribed Price to any Member or Members. Except as hereinafter provided, a Transfer Notice once given or deemed to be given shall not be revocable except with the consent of the Directors.

A Transfer Notice may comprise Shares of more than one class.

(B) (1) Forthwith upon receipt of any Transfer Notice in respect of Ordinary Shares or in respect of Preferred Shares, (or where a Transfer Notice is deemed given in respect of Shares of either such class) the Company shall request the Auditors for the time being of the Company (acting as experts and not as arbitrators) to certify the Price (being the price per Share determined in accordance with sub-paragraph (3) below).

- (2) The Auditors for the time being of the Company shall instruct professional valuers of hotel businesses (the choice of which shall be at the absolute discretion of the Auditors) to assist the Auditors in certifying the Price in accordance with this paragraph (B) of this Article 13 and shall be bound by the conclusions of such valuers as regards the value of the Company's hotel business valued as a whole. The costs of the Auditors and such valuers shall be borne by the Company.
- (3) The Auditors shall within 30 days of such a request by the Company certify to the Company the Price, that is to say (in respect of both Ordinary Shares and Preferred Shares) the value per Share of the Shares comprised in the Transfer Notice calculated on the basis of a sale by a willing vendor to a willing purchaser on an arm's length basis by ascertaining the value of the entire amount of Ordinary Shares, A Ordinary Shares and Preferred Shares then in issue (and as if the same were one class ranking pari passu in all respects) and then by multiplying such value by a fraction, of which the numerator is the total amount paid up or credited as paid up on the Shares comprised in the Transfer Notice and the denominator is the total amount paid up or credited as paid up on the Ordinary Shares, A Ordinary Shares and Preferred Shares then in issue, and so that the Auditors shall be at liberty to take cognisance of all the circumstances including any rights held by any person to subscribe for further shares in the capital of the Company but taking no account of the size of the holding the subject of the Transfer Notice or any restrictions on the transferability of the Shares. The failure of the Auditors to give such certificate within the said 30 day period shall not invalidate the operation of the provisions of this Article in relation to the Transfer Notice in question.
- (C) (1) All Ordinary Shares included in any Transfer Notice shall within 14 days following receipt of the certificate of the Auditors as to the Price, be offered by the Company at the Prescribed Price to one or more (and if more than one in such numbers or proportions as the Board of Directors may determine) of:-
- (i) such prospective executive officers or employees of the Company or of any Subsidiary of the Company as the Board of Directors may nominate;
 - (ii) such existing executive officers or employees of the Company or of any Subsidiary of the Company as the Board of Directors may nominate;

All such offers of Ordinary Shares shall be made by notice in writing and every such offer shall remain open for acceptance for such period (not being less than 30 days or more than 45 days) as the Board of Directors shall in its absolute discretion determine within which period the offer must be accepted in writing or, in default, will be deemed to have been declined.

- (2) If the Company shall not within such period find a Purchaser or Purchasers for all of the Ordinary Shares the subject of the Transfer Notice then it shall within a period of seven days of the expiry of that period offer any such Shares which shall have been declined (or deemed declined) to Members (other than the Proposing Transferor) in accordance with the Priority Rights for purchase at the Prescribed Price. All such offers of Shares shall be made by notice in writing and every such offer shall remain open for acceptance for such period (not being less than 30 days or more than 45 days) as the Company shall in its absolute discretion determine within which period the offer must be accepted in writing or, in default, will be deemed to have been declined.
- (3) All Preferred Shares and Preference Shares included in any Transfer Notice shall, within 14 days following receipt of the Transfer Notice or, if Preferred Shares, receipt of the certificate of the Auditors as to the Price, be offered by the Company to each Member (other than the Proposing Transferor) in accordance with the Priority Rights for purchase at the Prescribed Price. All such offers of Shares shall be made by notice in writing and every such offer shall remain open for acceptance for such period (not being less than 30 days or more than 45 days) as the Company shall in its absolute discretion determine within which period the offer must be accepted in writing or, in default, will be deemed to have been declined.
- (D) The Company shall offer any Shares comprised in a Transfer Notice and required to be offered pursuant to the immediately preceding sub-paragraphs (C)(2) and (C)(3) to the following Members in the following priority:-
- (i) in relation to Ordinary Shares:-
- (aa) first to the holders of the Ordinary Shares (other than the Proposing Transferor) to whom such Ordinary Shares shall not have been offered pursuant to sub-paragraph (C)(1) above; and
- (bb) secondly to the holders of Preferred Shares;
- (ii) in relation to the Preference Shares and the Preferred Shares:-
- (aa) first to the holders of Preferred Shares (other than the Proposing Transferor); and
- (bb) secondly to the holders of Ordinary Shares

And it is hereby declared for the avoidance of doubt that:-

- (i) any Member to whom Shares are offered in accordance with the Priority Rights shall be at liberty to accept all or some only of the Shares so offered;

- (ii) in the event of there being more than one holder of any class of shares to whom an offer falls to be made pursuant to the Priority Rights the Shares on offer shall be offered to such holders in proportion as nearly as may be to their existing holdings of shares of that class and the Directors decision as to the number of shares which shall be "in proportion as nearly as may be to their existing holdings of shares of that class" shall in the absence of manifest error be conclusive, final and binding on the parties hereto;
 - (iii) in the event that a holder of any class of shares to whom an offer falls to be made pursuant to the Priority Rights declines to accept all of the Shares offered to him, such Shares shall be re-offered in like manner (except that the time period limited for acceptance shall be such period of not less than 7 days or more than 30 days as the Board of Directors may in its absolute discretion determine) and upon the same terms to those holders of shares of the same class who accepted all the shares previously offered to them and such re-offering shall be repeated until such time as all the shares have been accepted or until the holders of shares of the same class shall have declined to accept any more of them
- (E) If the Company shall after making offers (in the case of Ordinary Shares comprised in a Transfer Notice in accordance with sub-paragraph (C)(l) of this Article 13 and then) in accordance with the Priority Rights within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase some only of the Shares comprised in the Transfer Notice, the Company shall within 7 days after the expiry of the latest period limited for acceptance in accordance with the Priority Rights give notice of that fact to the Proposing Transferor who shall be entitled to revoke his Transfer Notice in whole but not in part by written notice given to the Company within 7 days of receiving the said notice from the Company (the "Withdrawal Period").
- (F) If the Company shall after making offers (in the case of Ordinary Shares comprised in a Transfer Notice in accordance with sub-paragraph (C)(l) of this Article 13 and then) in accordance with the Priority Rights within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase the Shares concerned or any of them it shall (following the expiry of the Withdrawal Period, if applicable) give notice in writing thereof to the Proposing Transferor and he shall be bound, upon payment or tender of payment of the Prescribed Price, to transfer such Shares to the respective Purchasers thereof. Every such notice shall state the name and address of each Purchaser and the number of Shares agreed to be purchased by him, and the purchase shall be completed at a place and time to be appointed by the Directors not being less than three days nor more than ten days after the date of such notice.
- (G) If in any case a Proposing Transferor, after having become bound to transfer any Shares to a Purchaser, shall make default in transferring the Shares, the Directors may authorise some person to execute on behalf of and as attorney for the Proposing Transferor any necessary instruments of transfer and may (where the Proposing Transferor has not already received the purchase money) receive the purchase money and shall following stamping (if required) of the relevant transfer instrument cause the name of the Purchaser to be entered in the Register as the holder of the Shares

and shall hold the purchase money in trust for the Proposing Transferor (but without interest) until the delivery to the Company by the Proposing Transferor of the relevant certificates (or, in the case of lost certificates, an indemnity in a form reasonably acceptable to the Company in respect thereof). The receipt of the Company for the purchase money shall be a good discharge to the Purchaser who shall not be bound to see to the application thereof and, after the name of the Purchaser has been entered in the Register in purported exercise of the aforesaid powers, the validity of the proceedings shall not be questioned by any person.

- (H) If the Company shall not within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase all the Shares comprised in the Transfer Notice the Company shall forthwith upon the expiry of such periods notify the Proposing Transferor in writing thereof and the Proposing Transferor shall at any time within three months after the Directors have so notified (or in the event that the sale by the Proposing Transferor is not completed, otherwise than as a result of any default by the Proposing Transferor, within 2 weeks of the notice to the Proposing Transferor under sub-paragraph (F) of this Article 13, forthwith thereafter) be at liberty (subject always to the provisions of Article 14) to transfer those Shares for which the Company has not found Purchasers, or, if he has revoked his Transfer Notice in accordance with the provisions of paragraph (E) of this Article, all (but not some only) of the Shares comprised in the Transfer Notice, to any person on a bona fide sale at the Prescribed Price or any higher or (subject as provided below) lower price than the Prescribed Price free from the provisions of Articles 10,11,12 and 13 Provided that unless the Shares are being made available by an Involuntary Leaver or a Leaver for Cause (other than a Leaver for Cause who shall have ceased to be an employee of the Company or any of its Group Companies by reason of fraud or dishonesty) (including for these purposes any Relevant Member in respect of such Involuntary Leaver or such Leaver for Cause) no Shares shall be sold at a lower price than the Prescribed Price without the Proposing Transferor first serving a further Transfer Notice upon the Company within the said three month period specifying such lower price and all the provisions of Articles 12 and 13 shall apply to such further Transfer Notice save that the Prescribed Price shall be deemed to be such lower price. The Directors may require to be satisfied that such Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the instrument of transfer without any deduction, rebate or allowance whatsoever to the Purchaser.
- (I) Subject as provided in sub-paragraph (J) of this Article 13 in the event that any employee of the Company or any of its Subsidiaries becomes a Leaver for Cause or an Involuntary Leaver such employee and the trustees of any family trusts (as hereinbefore defined) in respect of such employee or in respect of such employee's spouse or former spouse and any person who shall have become interested in shares held or formerly held upon such family trusts whether directly or indirectly and whether by transfer substitution or other devolution and any person holding shares in which such Director or employee is then interested within the meaning of Section 324 of and Schedule 13 Part 1 to the Companies Act 1985 (together "the Relevant Members") shall forthwith upon such cessation be bound to and in any event may at any time thereafter give a Transfer Notice in respect of all the Shares then

registered in their respective names Provided that in the event of there being a dispute between the Company and the employee concerned as to whether the employee is a Leaver for Cause or an Involuntary Leaver the obligation to give such notice shall arise only upon resolution of such dispute.

In any such case as aforesaid the provisions of these Articles shall take effect in relation to such Transfer Notice.

- (J) In the event that a Transfer Notice is served or required to be served pursuant to sub-paragraph (I) of this Article 13 and the employee concerned is an Involuntary Leaver then he and each Relevant Member shall be entitled to retain 25 per cent. in nominal value of the entirety of his or its holding of Shares of every class as at the date on which the employee in question ceased to be an employee or if he has become an Involuntary Leaver by reason of death then, notwithstanding the provisions of sub-paragraph (K) of this Article 13, 25 per cent. in nominal value of the entirety of any holding of Shares of any class acquired by a person as a result of the death of such Involuntary Leaver or held by any Relevant Member may be retained by such person Provided always that the holding and disposal of any Shares retained through the operation of this sub-paragraph (J) of this Article 13 remains, for the avoidance of doubt, subject to the regulations provided in these Articles of Association.
- (K) Subject as provided in sub-paragraph (J) of this Article 13 a person entitled to a Share in consequence of the death or bankruptcy of a Member, and in the event of the administration, receivership or liquidation of a Member such Member shall be bound forthwith to give a Transfer Notice in respect of all the Shares then registered in the name of the deceased or insolvent Member. Regulations 29 to 31 of Table A shall take effect accordingly.
- (L) For the purpose of ensuring that a transfer of Shares is duly authorised hereunder or that no circumstances have arisen whereby a Transfer Notice is required to be given hereunder the Directors may from time to time require any Member or the legal personal representatives or trustee in bankruptcy, administrator, receiver or liquidator of any Member or any person named as transferee in any instrument of transfer lodged for registration to furnish to the Company such information and evidence as the Directors may reasonably think fit regarding any matter which they may deem relevant to such purpose. Failing such information or evidence being furnished to the reasonable satisfaction of the Directors within a reasonable time after request, the Directors shall be entitled to refuse to register the transfer in question or (in case no transfer is in question) to require by notice in writing that a Transfer Notice be given in respect of the Shares concerned. If such information or evidence discloses that in the reasonable opinion of the Directors a Transfer Notice ought to have been given in respect of any Shares the Directors may by notice in writing require that a Transfer Notice be given in respect of the Shares concerned.
- (M) In any case where under the provisions of these presents a Transfer Notice is required to be given in respect of any Shares, such requirement may be waived with the written consent of the holders of 75 per cent in nominal value of the Preferred Shares in issue at the relevant time, but in the absence of such waiver if a Transfer Notice

is not duly given within a period of two weeks of the due date a Transfer Notice shall be deemed to have been given on such date as the Directors shall deem appropriate in order to give effect to the provisions of these Articles. In any such case as aforesaid the provisions of these presents shall take effect.

- (N) Any notice required to be given under this Article by the Company to a Member or by a Member to the Company or otherwise shall be given or served either personally or by sending it by first class post to the registered office of the Company or to the registered address of the Member (as the case may be) or, (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company for the giving of notice to him. When a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and to have been effected 48 hours later.
 - (P) With the consent in writing of all Members for the time being in respect of Preference Shares and of all holders of Ordinary Shares and Preferred Shares in respect of Ordinary Shares or Preferred Shares the restrictions imposed by this Article may be waived or varied in relation to any proposed transfer of Shares.
14. (A) (1) Notwithstanding the provisions of Article 13 no sale or transfer for value of the legal or beneficial interest in any Ordinary Shares or Preferred Shares ("the relevant transaction") (other than one made pursuant to Article 10(A)(a) or (b)) may be made or validly registered if as a result of such sale or transfer a Relevant Interest (as hereinafter defined) is obtained in the shares of that class by a person (or persons acting in concert (as hereinafter defined)) where such person(s) did not have a Relevant Interest in such class immediately prior to the relevant transfer unless the Proposing Transferor shall have procured a written offer complying with the provisions of sub-paragraph (B) of this Article to have been made by the proposed transferee (or any person or persons acting in concert with it) to the holders of all the other issued shares in the Company to acquire their entire holdings of such shares or if such Proposing Transferor shall fail to procure the making of such an offer unless the holders of not less than 75 per cent in nominal value of the shares of each class (excluding the shares held by the Proposing Transferor) have given their prior written consent to such sale or transfer.
- (2) For the purpose of this Article:-
- (a) the expression "a Relevant Interest" shall mean an interest (within the meaning of Schedule 13 Part I to and Section 324 of the Companies Act 1985) in 25 per cent or more in nominal value of the Ordinary Shares or Preferred Shares in issue;
 - (b) the expressions "transfer" and "transferee" shall include respectively the renunciation of a renounceable letter of allotment and the renounee under any such letter of allotment; and

- (c) the expression "acting in concert" shall bear the meaning ascribed to it in The City Code on Take-overs and Mergers (as amended from time to time).

(B) The offer referred to in sub-paragraph (A) above shall:-

- (1) Be expressed to be open for acceptance in England for a period of at least 60 days following the making of the offer;
- (2) Be on terms that the shareholders shall be entitled to receive for their holdings of shares a sum in cash equal to:-
 - (a) (in the case of the Preference Shares) the sums referred to in Article 6(2)(a) of these Articles;
 - (b) (in the case of the Preferred Shares) whichever shall be the greater of:-
 - (i) the sums referred to in Article 6(2)(b) of the Articles;
 - (ii) an amount for each Preferred Share equal to the highest price per Ordinary Share or Preferred Share paid or payable by the proposed purchaser in the relevant transaction or any related or previous transaction by the same purchaser or any person acting in concert with such proposed purchaser which price shall be deemed to include any consideration (in cash or otherwise) paid or payable by such purchaser or such person acting in concert which having regard to the substance of the transaction as a whole is reasonably regarded by the Board of Directors as an addition to the price so paid or payable;
 - (c) (in the case of the Ordinary Shares and the A Ordinary Shares) an amount for each Ordinary Share and A Ordinary Share equal to the price per Ordinary Share A Ordinary Share or Preferred Share paid or payable by the proposed purchaser in the relevant transaction or any related or previous transaction by the same purchaser or any person acting in concert with such proposed purchaser which price shall be deemed to include any consideration (in cash or otherwise) paid or payable by such purchaser or such person acting in concert which having regard to the substance of the transaction as a whole is reasonably regarded by the Board of Directors as an addition to the price so paid or payable;
- (3) Be on terms that the purchase of any Shares in respect of which such offer is accepted shall be completed at the same time as the purchase of Ordinary Shares or Preferred Shares (if such be the case) the proposed sale or transfer of which required an offer to be made pursuant to the provisions of this Article 14.

- (C) This Article 14 shall not apply in relation to a transfer of Ordinary Shares by a Leaver for Cause or an Involuntary Leaver (or a Relevant Member in respect of any such Leaver or Involuntary Leaver) who has given or is deemed to have given a Transfer Notice as a result of paragraphs (I), (K) or (M) of this Article 13 in relation thereto.
15. (A) No share shall be issued or transferred to any bankrupt or person who the Board of Directors consider to be of unsound mind within the meaning of the Mental Health Act 1983.
- (B) The Directors may decline to register the transfer of a share on which the Company has a lien. They may also refuse to register a transfer unless:-
- (1) It is lodged at the office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer
- (2) It is in respect of only one class of shares
- (3) It is in favour of not more than four transferees.

GENERAL MEETINGS

16. In regulation 32 of Table A there shall be substituted for the words "Ordinary Resolution" the words "Special Resolution".
17. (A) Every notice convening a general meeting shall comply with the provisions of Section 372(3) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any general meeting which any member is entitled to receive shall be sent to the auditor for the time being of the Company.
- (B) In regulation 37 of Table A there shall be substituted for the words "eight weeks" the words "twenty-eight days" and after the words "receipt of the requisition" there shall be added the words "and for the avoidance of doubt the requisitionists, or any of them representing more than one half of the total voting rights attached to shares held by all the requisitionists, may, if the directors shall fail within seven days of receipt of the requisition to give notice of a general meeting for a date not later than twenty-eight days after receipt of the requisition, convene the meeting requisitioned for such date as they may select (subject to compliance with the provisions of the Act regarding the giving of notice of meetings requisitioned by the members, insofar as consistent with the provisions of this Article)."
18. In regulation 50 of Table A there shall be inserted after the word "shall" and before the words "be entitled" the word "not".

NUMBER AND APPOINTMENT OF DIRECTORS

19. (A) Unless and until the Company in general meeting shall otherwise determine by ordinary resolution the number of directors shall be not less than two nor more than ten.
- (B) In their application to the Company:
- (1) Regulation 78 of Table A shall be modified by the deletion of the words commencing ".... and may also determine ..." to the end of the Regulation.
 - (2) Regulation 79 of Table A shall be modified by the deletion of the second and third sentences thereof.
 - (3) Regulation 84 of Table A shall be modified by the deletion of the final sentence thereof.

NOMINATED DIRECTORS

20. (1) The Preferred Shares registered in the name of the Electra Partnerships (as defined in the Investment Agreement) and/or their Investor Affiliates shall for so long as the aggregate number of such Preferred Shares shall not be less than 275,302 confer on each of the Electra Partnerships the right to appoint and maintain in office such person as each of them may nominate to be a Director of the Company and upon the number of Preferred Shares registered in the names of the Electra Partnerships (as they are defined) and/or their Investor Affiliates falling below 275,302 in aggregate the holder(s) of a majority of the issued Preferred Shares shall have the right to appoint one Director of the Company.
- (2) The Preferred Shares registered in the names of Candover Partners Limited and its Investor Affiliates shall for so long as the aggregate number of such Preferred Shares shall not be less than 318,750 confer on Candover Partners Limited the right at any time and from time to time to appoint one Director of the Company and upon the number of Preferred Shares registered in the names of Candover Partners Limited and its Investor Affiliates falling below 318,750 in aggregate the right conferred by this paragraph (2) to appoint one Director of the Company shall devolve upon the holder(s) of a majority of the issued Preferred Shares. Only one director appointed under the provisions of this paragraph may hold office at any one time.
- (3) The following provisions shall have effect in relation to any appointment pursuant to paragraph (1) or paragraph (2) of this Article 20:-
- (A) Any such appointment shall be effected by notice in writing to the Company signed by or on behalf of Electra Kingsway Limited, Candover Partners Limited or (where the right to appoint one or both such directors has devolved upon them) the holders of a majority in nominal value of the Preferred Shares for the time being in issue (as the case may be) who may

in like manner at any time and from time to time remove from office any director appointed by them pursuant to this Article and appoint any person in place of any director so removed or dying or otherwise vacating office;

- (B) Only the Preferred Shares held by the relevant appointors under paragraphs (1) and (2) of this Article 20 shall confer upon the holder(s) thereof the right to vote upon any resolution pursuant to Section 303 of the Act or Article 24 hereof for the removal of any Director appointed by it or them and for the time being holding office pursuant to this Article.

BORROWING POWERS

21. (1) Subject as hereinafter provided, 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 or any part thereof and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.
- (2) The aggregate amount owing by the Company and all its Subsidiaries in respect of moneys borrowed by them or any of them (exclusive of moneys borrowed owing by the Company to any of its Subsidiaries or by any of its Subsidiaries to the Company or another of its Subsidiaries) shall not at any time without both the previous sanction of the Company given in General Meeting or by written resolution of all members entitled to attend and vote at a general meeting and (in either case) the consent or sanction of the holders of the Preferred Shares given in accordance with Article 8 exceed an amount equal to 200 per cent. of the aggregate of:-
- (A) the amount paid up on the issued share capital of the Company; and
 - (B) the amounts standing to the credit of the capital and revenue reserves (including any share premium account and capital redemption reserve) of the Company and its Subsidiaries plus or minus any credit or debit balance on profit and loss account; and
 - (C) the nominal value of the Loan Stock then outstanding issued pursuant to the Loan Stock Instrument;
- all as shown in a consolidation of the then latest balance sheets of the Company and its Subsidiaries but after:-
- (i) making such adjustments as may be appropriate in respect of any variation in the interest of the Company in Subsidiaries and in such issued share capital and reserves since the dates of the relevant balance sheets;

- (ii) deducting the amount of any distributions not attributable to the Company out of profits (whether of a capital or revenue nature) accrued prior to the dates of such balance sheets which may be made, declared, or recommended since such dates and are not provided for therein;
 - (iii) excluding any amount attributable to any minority interests in Subsidiaries;
 - (iv) deducting any amounts by which the value of any assets of the Company or any of its Subsidiaries is written up as a result of a revaluation carried out after 31st December, 1989 a transfer of an asset between the Company and one of its Subsidiaries or between two of such Subsidiaries being for this purpose treated as a revaluation;
 - (v) deducting (if not otherwise excluded) such amount as the Auditors may deem to be appropriate in respect of any contingent liability to taxation on the amount by which any asset of the Company has been written up otherwise than by a revaluation excluded by (iv) above.
- (3) For the purposes of this Article the expression "moneys borrowed" includes the following except in so far as otherwise taken into account:-
- (A) the principal amount (together with any fixed or minimum premium payable on final repayment) owing by the Company or any of its Subsidiaries under any debenture, debenture stock, bond or other security whether constituting a charge over the assets of such company or not, and whether issued for cash or otherwise;
 - (B) the principal amount owing by the Company or any of its Subsidiaries under any acceptance credit opened on its behalf by any bank, acceptance house or finance company other than acceptance relating to the purchase or sale of goods in the usual course of trading;
 - (C) the principal amount owing by the Company or any of its Subsidiaries in respect of any loan or advance from, or overdraft facility with, any bank, acceptance house or finance company;
 - (D) the principal amount owing by the Company or any of its Subsidiaries under or in respect of any hire purchase agreement, conditional sale agreement or other agreement of a similar nature;
 - (E) any special credit facilities from suppliers (which shall mean inter alia all trade credit in excess of 90 days granted to or taken by the Company or any of its Subsidiaries);
 - (F) the nominal amount of any issued share capital and the principal amount of any borrowings (together, in each case, with any fixed or minimum premium payable on final repayment) the repayment of which is guaranteed or secured or is the subject of an indemnity given by the Company or any of its

Subsidiaries and the beneficial interest in which is not owned by the Company or another of its Subsidiaries;

- (G) the nominal amount (including any fixed or minimum premium payable on final repayment) of any issued share capital, other than equity share capital, of any Subsidiary of the Company the beneficial interest in which is not owned by the Company or another of its Subsidiaries;

but shall not include:-

- (a) borrowings which are made for the express purpose of repaying the whole or any part of moneys borrowed falling to be taken into account for the purpose of this Article (including any fixed or minimum premium payable on final repayment) and which are applied for that purpose within one month of being first borrowed (in which event they shall be treated as moneys borrowed falling to be taken into account for the purpose of this Article);
- (b) a proportion of the borrowings of any partly owned Subsidiary (but only to the extent that an amount equivalent to such proportion exceeds the amount of any borrowings from such partly owned Subsidiary by the Company or another of its Subsidiaries) such proportion being the proportion of the issued equity share capital of such partly owned Subsidiary the beneficial interest in which is not owned directly or indirectly by the Company or another of its Subsidiaries; and
- (c) the sum outstanding by way of principal from time to time as Loan Stock issued pursuant to the Loan Stock Instrument

and so that:-

- (i) moneys borrowed and outstanding in a currency other than sterling shall be converted into sterling at the London spot buying rate for such currency as quoted at 11 a.m. on the day in question or if such day is not a business day in England, the first business day preceding such day, by The Governor and Company of the Bank of Scotland;
 - (ii) any company which it is proposed shall become or cease to be a Subsidiary contemporaneously with any relevant transaction shall be treated as if it had already become or ceased to be a Subsidiary;
- (4) A certificate by the Auditors for the time being of the Company as to the aggregate amount of moneys borrowed which may at any one time in accordance with paragraph (2) of this Article be owing by the Company and its Subsidiaries without such sanction as aforesaid shall be conclusive and shall be binding upon the Company, its members and all persons dealing with the Company.

- (5) Notwithstanding any other provision in these Articles, no liability incurred or security given in respect of moneys borrowed in excess of the limit imposed by paragraph (2) of this Article shall be invalid or ineffectual except in the case of express notice at the time when the liability was incurred or security given that the limit thereby imposed had been or was thereby exceeded.
- (6) The Directors shall be obliged to take all necessary steps (including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its Subsidiaries) for securing that the aggregate amount at any time owing in respect of moneys borrowed by the Company and its Subsidiaries, exclusive as aforesaid, shall never (without such sanction as aforesaid) exceed the said limit.

DISQUALIFICATION OF DIRECTORS

22. The office of a Director shall be vacated:-

- (1) If by notice in writing to the Company he resigns the office of Director.
- (2) If he becomes bankrupt or enters into any arrangement with his creditors.
- (3) If he is prohibited from being a Director by an order made under the provisions of Section 295 of the Act.
- (4) If he becomes of unsound mind and he is admitted to hospital in pursuance of an application form for admission for treatment under the Mental Health Act 1983 or, in Scotland an application for admission under the Mental Health (Scotland) Act 1968, or an order is made by a court having jurisdiction in matters concerning mental disorders for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs.
- (5) If he is removed from office by a resolution duly passed under Section 303 of the Act.
- (6) If he is removed under Article 20 or under Article 24.
- (7) If, in the case of a Non-Executive Director (other than one appointed under Article 20(1) or (2)) all the other Directors so resolve.

23. Any person may be appointed or elected as a Director, whatever may be his age, and no Director shall be required to vacate his office by reason of his attaining or having attained the age of seventy years or any other age.

REMOVAL OF DIRECTORS

24. In addition and without prejudice to the provisions of Section 303 of the Act, the Company may by Extraordinary Resolution remove any Director before the expiration of his period of office and may by Ordinary Resolution appoint another Director in his stead. A person appointed in place of a Director so removed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

ALTERNATE DIRECTORS

25. A Director (other than an alternate director) may at any time appoint any other Director, or any other person (including, for the avoidance of doubt, a company and whether a Member of the Company or not) to act as alternate Director at any meeting of the Board at which the Director is not present, and may at any time revoke such appointment. An alternate Director so appointed shall not be entitled as such to receive any remuneration from the Company but shall otherwise be subject to the provisions of Table A and of these Articles with regard to Directors. An alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions, rights, powers and duties of the Director by whom he was appointed. An alternate Director shall ipso facto cease to be an alternate Director if his appointer ceases for any reason to be a Director. Where a Director who has been appointed to be an alternate Director is present at a meeting of the Board in the absence of his appointor such alternate Director shall have one vote in addition to his vote as Director. Every appointment and revocation of appointment of an alternate Director shall be made by instrument in writing under the hand of the Director making or revoking such appointment and such instrument shall only take effect on the service thereof at the registered office of the Company.

PROCEEDINGS OF DIRECTORS

26. (1) The first sentence of regulation 89 of Table A shall not apply to the Company. The quorum for meetings of directors shall be two, of whom at least one shall be a Director appointed pursuant to Article 20 or an alternate for such a Director.
- (2) If such quorum is not present within half an hour from the time appointed for the meeting, the meeting shall stand adjourned for the day falling three working days later at the same time and place or at such time and place as the directors present may determine and provided that all the directors are given two working days notice of the day, time and place for the adjourned meeting, the same shall be quorate if at least two directors are present, whether or not one of them is a director appointed pursuant to Article 20.

27. (1) In regulation 91 of Table A there shall be inserted the following as a second sentence:
"The directors may also appoint another as their number to act as deputy chairman of the Board of directors and at any time remove him from that office". Unless he is unwilling to do so, the director appointed chairman shall preside at every meeting of the directors at which he is present. But if there is not a director holding that office, or if the director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the director (if any) holding the office of deputy chairman shall preside, and only if such deputy chairman is unwilling to act or is not present within five minutes after the time appointed for the meeting may the directors present appoint one of their number to be chairman of the meeting.
- (2) The third sentence of regulation 88 of Table A shall be deleted.
28. 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 thereat. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is.

DIVIDENDS

29. Regulations 102 to 105 (inclusive) of Table A shall be subject to Article 6(1) (a) and Article 6(1) (b) hereof and in regulation 103 of Table A the words from "If the share capital is divided" to the end of the regulation shall be deleted.

INDEMNITIES

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

THE A ORDINARY SHARES

31. The A Ordinary Shares shall have and enjoy the following rights and be subject to the following restrictions. To the extent that any of the provisions of Articles 31 and Article 32 are inconsistent with any of the other provisions of these Articles, the provisions of Articles 31 and Article 32 shall prevail.

(1) **Income**

The holders of the A Ordinary Shares from time to time in issue shall not be entitled to receive any dividend declared paid or made before 31 May 1997. Thereafter, the A Ordinary Shares shall have rights as to income in accordance with Article 6(1).

(2) **Capital**

The A Ordinary Shares shall have rights as to capital in accordance with Article 6(2).

(3) **Conversion**

The holding of each holder of A Ordinary Shares shall, upon a Sale or Quotation, be converted ("Conversion") by redesignation into such number of additional Ordinary Shares as shall equal the number of A Ordinary Shares held by such holder. Upon Conversion becoming effective, the Company shall be obliged to convene such meetings, seek such authorities and make such amendments to these Articles as may be requisite and to issue substitute share certificates for the new Ordinary Shares arising on such Conversion against surrender by a holder of the certificate representing the former holding of A Ordinary Shares. The Ordinary Dividend payable upon A Ordinary Shares subject to Conversion in respect of the financial year in which Conversion occurs shall (to the extent provided for in Article 6(1)(c)) accrue down to and (together with all arrears of the Ordinary Dividend whether declared or not) be paid upon the date of Conversion but no further amount of Ordinary Dividend payable upon A Ordinary Shares shall be payable in respect of that financial year under Article 6(1)(c). The Ordinary Shares arising on Conversion shall carry the right to receive in full all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to a record date falling on or after the date of Conversion (provided such dividends and other distributions shall be reduced by an amount equal to that paid on Conversion if and to the extent that they relate to the same financial year) and shall in all other respects rank *pari passu* with the Ordinary Shares then in issue. For the avoidance of doubt, in any capital reorganisation of the Company effected in connection with a Sale or Quotation, the A Ordinary Shares shall be treated in no respect less favourably than the Ordinary Shares.

(4) **Voting rights**

Whilst the A Ordinary Shares shall entitle holders thereof to receive notice of and attend at all general or other meetings of the Company they shall not entitle the holders to vote or speak at any such meeting held prior to 31 May 1997. From that date the A Ordinary Shares shall have voting rights in accordance with Article 6(6).

(5) **Class rights**

The special rights attached to the A Ordinary Shares may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up with the consent in writing of the holders of 66% (in nominal value) of the issued shares of the class or with the sanction of a resolution approved by the holders of not less than 66% (in nominal

value) of the issued shares of the class at a separate meeting of the holders of that class but not otherwise. Provided that the special rights attaching to the A Ordinary Shares shall only be deemed to be varied or abrogated in the event of any amendment proposed to this Article 31 or to any of Articles 5, 6, 7(A), 14 or 32 insofar as such amendment specifically affects the special rights attached to the A Ordinary Shares and not otherwise. Without prejudice to the other provisions of these Articles, no capital reorganisation of the Company involving the terms of or affecting the A Ordinary Shares shall be deemed to be a variation or abrogation of the rights of the A Ordinary Shares provided that in such capital reorganisation the A Ordinary Shares are treated in no respect less favourably than the Ordinary Shares. For the avoidance of doubt (but without prejudice to Article 7(A)) the special rights attached to the A Ordinary Shares shall not be deemed varied or abrogated by the issue of any further shares in the Company, whether ranking ahead of or behind the A Ordinary Shares, or by the deferral of any dividend payable on the Preference Shares or Preferred Shares (and the payment of any such deferred amount on redemption, if applicable). To every such separate meeting, all the provisions of these Articles relating to General Meetings of the Company or the proceedings thereat shall mutatis mutandis apply except that the notice period for such meeting shall be 14 days and the necessary quorum shall be one person at least holding or representing by proxy 20 per cent. in nominal amount of the issued shares of the class and that the holders of shares of the class shall on a poll have one vote in respect of every share of the class held by them respectively.

(6) Capitalisation issues

If the Company makes an allotment of fully-paid Preferred Shares and/or Ordinary Shares to all holders of Ordinary Shares pursuant to a capitalisation of profits or reserves (other than instead of cash in respect of all or part of a dividend or dividends) then the Company shall at the same time allot to the holders of A Ordinary Shares, pursuant to a capitalisation of profits or reserves, such number of fully paid A Ordinary Shares as is equal to the number of Ordinary Shares which such holders would have received if their holdings of A Ordinary Shares had been converted into an identical number of Ordinary Shares immediately prior to the record date for the allotment.

(7) Consolidation and subdivision

In the event of a consolidation and/or subdivision of Ordinary Shares, the A Ordinary Shares shall also be consolidated and/or subdivided on the same basis.

(8) Transfers of A Ordinary Shares

(A) The directors shall not register any transfer of an A Ordinary Share not being a transfer made pursuant to and in accordance with the provisions of Article 31 and Article 32.

(B) Article 10(B) shall not apply to the A Ordinary Shares.

(C) Until 31 May 1997 or an earlier Sale or Quotation no holder of A Ordinary Shares shall transfer or otherwise dispose of any legal or equitable interest in any of the A Ordinary Shares held or beneficially owned by such holder save with the prior written consent of the holders of 75 per cent. in nominal value of the Preferred Shares in issue at the relevant time. The following provisions of this Article 31 and Article 32 shall apply only with effect from 31 May 1997.

(D) In this Article 31 and Article 32 the following words shall bear the following meanings:

- (1) "Member" shall mean a holder of Preferred Shares, Ordinary Shares or A Ordinary Shares;
- (2) "Proposing Transferor" shall mean a Member proposing (or required) to dispose of A Ordinary Shares or any interest therein;
- (3) "Transfer Notice" shall mean a written notice served (or deemed served) by a Member on the Company indicating his desire to dispose of A Ordinary Shares or any interest therein.
- (4) The "Price" shall mean the Price certified by the Auditors pursuant to paragraph (B) of Article 32 of these Articles.
- (5) "Purchaser" shall mean a holder of Preferred Shares or Ordinary Shares offered A Ordinary Shares in accordance with these Articles and willing to purchase A Ordinary Shares comprised in a Transfer Notice.

32. With effect from 31st May 1997 the right to transfer A Ordinary Shares or any interest therein shall be subject to the following restrictions, namely:

- (A) Before transferring any A Ordinary Shares (or any beneficial interest therein) the Proposing Transferor shall serve a Transfer Notice on the Company and the Transfer Notice shall constitute the Company his agent for the sale of the A Ordinary Shares therein mentioned at the Price to any Member or Members. Except as hereinafter provided, a Transfer Notice once given or deemed to be given shall not be revocable except with the consent of the directors.
- (B)
 - (1) Forthwith upon receipt of any Transfer Notice the Company shall request the Auditors for the time being of the Company (acting as experts and not as arbitrators) to certify the Price (being the price per A Ordinary Share determined in accordance with sub-paragraph 3 below).
 - (2) The Auditors for the time being of the Company shall instruct professional valuers of hotel businesses (the choice of which shall be at the absolute discretion of the Auditors) to assist the Auditors in certifying the Price in accordance with this paragraph (B) of this Article 32 and shall be bound by the conclusions of such valuers as regards the value of the Company's hotel business valued as a whole. The costs of the Auditors and such valuers shall be borne by the Company.
 - (3) The Auditors shall within thirty days of such a request by the Company certify to the Company the Price, that is to say the value per A Ordinary Share of the A Ordinary Shares comprised in the Transfer Notice calculated on the basis of a sale by a willing vendor to a willing purchaser on an arm's length basis by ascertaining the value of the entire amount of Preferred

Shares, Ordinary Shares and A Ordinary Shares then in issue (and as if the same were one class ranking *pari passu* in all respects) and then by multiplying such value by a fraction, of which the numerator is the total amount paid up or credited as paid up on the A Ordinary Shares comprised in the Transfer Notice and the denominator is the total amount paid up or credited as paid up on the Preferred Shares, Ordinary Shares and A Ordinary Shares then in issue, and so that the Auditors shall be at liberty to take cognisance of all the circumstances including any rights held by any person to subscribe for further shares in the capital of the Company but taking no account of the size of the holding the subject of the Transfer Notice or any restrictions on the transferability of the A Ordinary Shares. The failure of the Auditors to give such certificate within the said thirty day period shall not invalidate the operation of the provisions of this Article in relation to the Transfer Notice in question.

- (C) All A Ordinary Shares included in any Transfer Notice shall, within fourteen days following receipt of the certificate of the Auditors as to the Price, be offered by the Company to each holder of Preferred Shares and each holder of Ordinary Shares (other than the Proposing Transferor) for purchase at the Price. All such offers of shares shall be made by notice in writing and every such offer shall remain open for acceptance for such period (not being less than thirty days or more than forty-five days) as the Company shall in its absolute discretion determine, within which period the offer must be accepted in writing or, in default, will be deemed to have been declined.
- (D) It is hereby declared for the avoidance of doubt that:
 - (i) any Member to whom A Ordinary Shares are offered shall be at liberty to accept all or some only of the A Ordinary Shares so offered;
 - (ii) the A Ordinary Shares on offer shall be offered to the holders of the Preferred Shares and the Ordinary Shares in proportion as nearly as may be to their existing holdings of Preferred Shares and Ordinary Shares (which shall, for this purpose, rank *pari passu*) and the Directors' decision as to the number of shares which shall be "in proportion as nearly as may be to their existing holdings of Preferred Shares and Ordinary Shares" shall in the absence of manifest error be conclusive, final and binding;
 - (iii) in the event that a holder of Preferred Shares or Ordinary Shares to whom an offer falls to be made declines to accept all of the A Ordinary Shares offered to him, such Ordinary Shares shall be re-offered in like manner (except that the time period limited for acceptance shall be such period of not less than seven days or more than thirty days as the Board of Directors may in its absolute discretion determine) and upon the same terms to those holders of Preferred Shares and Ordinary Shares who accepted all the shares previously offered to them and such re-offering shall be repeated until such time as all the shares have been accepted or until the holders of Preferred

Shares and Ordinary Shares shall have declined to have accept any more of them.

- (E) If the Company shall after making offers in accordance with this Article 32 within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase some only of the A Ordinary Shares comprised in the Transfer Notice, the Company shall within seven days after the expiry of the latest period limited for acceptance give notice of that fact to the Proposing Transferor who shall be entitled to revoke his Transfer Notice in whole but not in part by written notice to the Company within seven days of receiving the said notice from the Company (the "Withdrawal Period").
- (F) If the Company shall after making offers in accordance with this Article 32 within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase the A Ordinary Shares concerned or any of them it shall (following the expiry of the Withdrawal Period, if applicable) give notice in writing thereof to the Proposing Transferor and he shall be bound, upon payment or tender of payment of the Price, to transfer such A Ordinary Shares to the respective Purchasers thereof. Every such notice shall state the name and addresses of each Purchaser and the number of A Ordinary Shares agreed to be purchased by him and the purchase shall be completed at a place and time to be appointed by the directors not being less than three days nor more than ten days after the date of such notice.
- (G) If in any case a Proposing Transferor, after having become bound to transfer any A Ordinary Shares to a Purchaser, shall make default in transferring the A Ordinary Shares, the Directors may authorise some person to execute on behalf of and as attorney for the Proposing Transferor any necessary instruments of transfer and may (where the Proposing Transferor has not already received the purchase money) receive the purchase money and shall following stamping (if required) of the relevant transfer instrument cause the name of the Purchaser to be entered in the Register as the holder of the A Ordinary Shares and shall hold the purchase money in trust for the Proposing Transferor (but without interest) until the delivery to the Company by the Proposing Transferor of the relevant certificates (or, in the case of lost certificates, an indemnity in a form reasonably acceptable to the Company in respect thereof). The receipt of the Company for the purchase money shall be a good discharge to the Purchaser who shall not be bound to see to the application thereof and, after the name of the Purchaser has been entered in the Register in purported exercise of the aforesaid powers, the validity of the proceedings shall not be questioned by any person.
- (H) If the Company shall not within the periods limited for acceptance find a Purchaser or Purchasers willing to purchase all the A Ordinary Shares comprised in the Transfer Notice the Company shall forthwith upon the expiry of such periods notify the Proposing Transferor in writing thereof and the Proposing Transferor shall at any time within three months after the Directors have so notified (or in the event that the sale by the Proposing Transferor is not completed, otherwise than as a result of any default by the Proposing Transferor, within 2 weeks of the notice to the Proposing Transferor under sub-paragraph (F) of this Article 32, forthwith thereafter) be at liberty to transfer those A Ordinary Shares for which the Company has not found

Purchasers, or, if he has revoked his Transfer Notice in accordance with the provisions of paragraph (E) of this Article, all (but not some only) of the A Ordinary Shares comprised in the Transfer Notice, to any person on a bona fide sale at the Price or any higher or (subject as provided below) lower price than the Price free from the provisions of Articles 31 and 32. Provided that no A Ordinary Shares shall be sold at a lower price than the Price without the Proposing Transferor first serving a further Transfer Notice upon the Company within the said three month period specifying such lower price and all the provisions of Articles 31 and 32 shall apply to such further Transfer Notice save that the Price shall be deemed to be such lower price. The Directors may require to be satisfied that such A Ordinary Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the instrument of transfer without any deduction, rebate or allowance whatsoever to the Purchaser.

- (I) A person entitled to an A Ordinary Share in consequence of the death or bankruptcy of a Member, or in the event of the administration receivership or liquidation of a Member, such Member shall be bound forthwith to give a Transfer Notice in respect of all the A Ordinary Shares then registered in the name of the deceased or insolvent Member. Regulations 29 to 31 of Table A shall take effect accordingly.
- (J) For the purpose of ensuring that a transfer of A Ordinary Shares is duly authorised hereunder or that no circumstances have arisen whereby a Transfer Notice is required to be given hereunder the Directors may from time to time require any Member or the legal personal representatives or trustee in bankruptcy, administrator, receiver or liquidator of any Member or any person named as transferee in any instrument of transfer lodged for registration to furnish to the Company such information and evidence as the Directors may reasonably think fit regarding any matter which they may deem relevant to such purpose. Failing such information or evidence being furnished to the reasonable satisfaction of the Directors within a reasonable time after request, the Directors shall be entitled to refuse to register the transfer in question or (in case no transfer is in question) to require by notice in writing that a Transfer Notice be given in respect of the A Ordinary Shares concerned. If such information or evidence discloses that in the reasonable opinion of the Directors a Transfer Notice ought to have been given in respect of any A Ordinary Shares the Directors may by notice in writing require that a Transfer Notice be given in respect of the A Ordinary Shares concerned.
- (K) In any case where under the provisions of these presents a Transfer Notice is required to be given in respect of any A Ordinary Shares, such requirement may be waived with the written consent of the holders of 75 per cent in nominal value of the Preferred Shares in issue at the relevant time, but in the absence of such waiver if a Transfer Notice is not duly given within a period of two weeks of the due date a Transfer Notice shall be deemed to have been given on such date as the Directors shall deem appropriate in order to give effect to the provisions of these Articles. In any such case as aforesaid the provisions of these presents shall take effect.

- (L) Any notice required to be given under this Article 32 by the Company to a Member or by a Member to the Company or otherwise shall be given or served either personally or by sending it by first class post to the registered office of the Company or to the registered address of the Member (as the case may be) or, (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company for the giving of notice to him. When a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and to have been effected 48 hours later.
- (M) Without prejudice to paragraph (K) above, the restrictions imposed by this Article may be waived or varied in relation to any proposed transfer of A Ordinary Shares, with the consent in writing of all holders of Ordinary Shares and Preferred Shares.

CAPITALISATION OF SHARE PREMIUM ACCOUNT

33. The directors may, in addition to the powers conferred by regulation 110 of Table A, with the authority of an ordinary resolution of the Company:
- (1) resolve to capitalise any sum standing to the credit of the Company's share premium account; and
 - (2) appropriate the sum resolved to be capitalised to such members as the directors may determine and apply such sum on their behalf in paying up in full unissued shares of a nominal amount equal to that sum and allot such shares credited as fully paid to those members, or as they may direct;
 - (3) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they may determine in the case of shares becoming distributable under this Article 33 in fractions;
 - (4) authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for the allotment to them, credited as fully paid, of any shares to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members.
34. In the event that the directors pass a resolution pursuant to the powers conferred on them pursuant to Article 33 and a board resolution is subsequently proposed to amend or revoke such resolution, then the executive directors may not vote on any such amending or revoking resolution.