

THE COMPANIES ACT 1985
COMPANY LIMITED BY SHARES
TALISMAN INTERNATIONAL HOLDINGS LIMITED
(REGISTERED NO. 2512315)

At an Extraordinary General Meeting of the Company held on 27th November 1991, at Royal London House, 22/25 Finsbury Square, London EC2A 1DS the following Special Resolution was passed:-

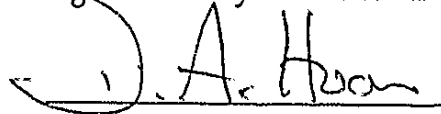
THAT:

1. (i) all of the 98,500 unissued ordinary shares of 1p each in the capital of the Company be and are hereby redesignated as 98,500 "A" convertible redeemable ordinary shares of 1p each ("A Shares") having the rights set out in the New Articles of Association ("the New Articles") of the Company referred to in paragraph (iii) below;
- (ii) the authorised share capital of the Company be and is hereby increased by £204,015 to £205,015 by the creation of 9,901,500 A Shares, 500,000 "B" convertible redeemable ordinary shares of 1p each ("B Shares"), 500,000 "C" convertible redeemable ordinary shares of 1p each ("C Shares"), 1,000,000 "D" undesignated shares of 1p each ("D Shares"), 8,400,000 "A" convertible redeemable preference shares of 1p each ("A Preference Shares"), and 100,000 "B" convertible redeemable preference shares of 1p each ("B Preference Shares"), all having the rights set out in the New Articles;
- (iii) the New Articles in the form of the draft produced to the meeting and initialled by the Chairman be and are hereby adopted as the new articles of association of the Company in

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replacement of and in substitution for the existing articles of association of the Company;

- (vi) the objects clause contained in the Memorandum of Association be and is hereby amended by the deletion of Clause 3(1) and the substitution of the new Clauses 3(1)(a) and 3(1)(b) set out in the draft produced to the meeting initialled by the Chairman.


Chairman

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(1) (a) To carry on the business of a holding company in all its branches, and to acquire by purchase, lease, concession, grant, licence or otherwise such businesses, options, rights, privileges, lands, buildings, leases, underleases, stocks, shares, debentures, debenture stock, bonds, obligations, securities, reversionary interests, annuities, policies of assurance and other property and rights and interests in property as the Company shall deem fit and generally to hold, manage, develop, lease, sell or dispose of the same; and to vary any of the investments of the Company, to act as trustees of any deeds constituting or securing any debentures, debenture stock or other securities or obligations; to enter into, assist, or participate in financial, commercial, mercantile, industrial and other transactions, undertakings and businesses of every description, and to establish, carry on, develop and extend the same or sell, dispose of or otherwise turn the same to account, and to co-ordinate the policy and administration of any companies of which this Company is a member or which are in any manner controlled by, or connected with the Company, and to carry on all or any of the businesses of trustees, financiers, financial agents, company promoters, bill discounters, stock and share brokers; and to buy, sell, maintain, and deal in things of all kinds capable of being used for the purposes of the above-mentioned businesses or any of them, or likely to be required by customers of or persons having dealings with the Company.

(b) To establish, conduct, carry on and provide goods or services to a school, or schools for boys and/or girls, and to do all such other things as are or may be incidental or conducive to the attainment of the above object or concomitant or ancillary thereto; to employ and train others to employ special techniques of educating and instructing pupils; to provide for the delivery and holding of classes, lectures, exhibitions and conferences

calculated to advance the cause of education and to do all such acts and things as may be deemed necessary for imparting instructions; to construct, carry out, maintain, alter, enlarge, pull down, improve, manage, work, control and superintend any schools, nurseries, chapels, gymnasia, playgrounds, sanatoria, swimming and other baths, reading rooms, libraries, laboratories, music rooms, studios, lodging houses and other work and conveniences which may seem directly or indirectly conducive to the attainment of any of the objects of the Company, and to contribute to, subsidise or otherwise assist or take part in such maintenance, management, working, control and superintendence; to create, administer and assist in the creation and administering of scholarships, exhibitions and prizes for the encouragement of study and learning and to act as trustees or managers of any endowment, legacy, bequest or gift for educational purposes; and to carry on all or any of the businesses of tutors, public speakers, lecturers, correspondents, writers, proprietors, publishers, printers and distributors and retailers of books, magazines, journals, periodicals, papers and pamphlets, education and literary works and undertakings, general printers, publishers and stationers, booksellers, librarians, advertising contractors and agents; and to acquire copyrights, rights of publication and other rights in respect of any literary matters and to turn the same to account or dispose thereof.

J. A. H. H.
Chairman

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

TALISMAN INTERNATIONAL HOLDINGS LIMITED

Registered Number 2512315

Incorporated 15th June 1990

Adopted by Special Resolution
passed [27th] November 1991

Dickson Minto W.S.
Royal London House
22/25 Finsbury Square
London EC2A 1DS

NEW
ARTICLES OF ASSOCIATION
OF
TALISMAN INTERNATIONAL HOLDINGS LIMITED ("THE COMPANY")
(Adopted by Special Resolution passed
[27th] November 1991)

INTERPRETATION

1. 1.1 In these Articles, unless the context otherwise requires:-

- | | |
|--------------|--|
| "Accounts" | means the audited consolidated accounts of the Company and the Subsidiaries drawn up in accordance with the accounting principles and policies set out in Schedule 4 to the Investment Agreement; |
| "ACL" | means Asquith Court Limited; |
| "the Act" | means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force; |
| "A Director" | means a director appointed pursuant to either Article 35.1 or 35.2; |
| "Affiliate" | means a company which controls a corporate Shareholder, is controlled by a corporate Shareholder or is (together with a corporate Shareholder) under the common control of another company. "Control" for the purposes of this definition shall mean shares conferring the right to 25% or more of the votes which could be cast on a poll at a general meeting of such company; |

"Annual Earnings"	means the consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for each of the financial years of the Group (as demonstrated by the Accounts for each of the financial years of the Group);
"A Shares"	means A convertible redeemable ordinary shares of 1p each in the capital of the Company;
"A Preference Shares"	means A convertible redeemable preference shares of 1p each in the capital of the Company;
"A Shareholder"	means a Member who holds A Shares in his capacity as a holder of A Shares and not in his capacity as a holder of any other class of Shares;
"A Preference Shareholder"	means a Member who holds A Preference Shares in his capacity as a holder of A Preference Shares and not in his capacity as a holder of any other class of Shares;
"Auditors"	means the auditors of the Company from time to time;
"B Director"	means a director appointed pursuant to Article 35.4;
"B Shares"	means B convertible redeemable ordinary shares of 1p each in the capital of the Company;

"B Preference Shares"	means B convertible redeemable preference shares of 1p each in the capital of the Company;
"B Shareholder"	means a Member who holds B Shares in his capacity as a holder of B Shares and not in his capacity as a holder of any other class of Shares;
"B Preference Shareholder"	means a Member who holds B Preference Shares in his capacity as a holder of B Preference Shares and not in his capacity as a holder of any other class of Shares;
"Board"	means the directors of the Company from time to time or the directors present at a meeting of directors at which a quorum is present;
"C Shares"	means C convertible redeemable ordinary shares of 1p each in the capital of the Company;
"C Shareholder"	means a Member who holds C Shares in his capacity as a holder of C Shares and not in his capacity as a holder of any other class of Shares;
"Connected Person"	bears the meaning ascribed thereto in Section 839 of the Income and Corporation Taxes Act 1988 and "persons connected" shall be construed accordingly;
"Controlling Interest"	means Shares conferring in the aggregate more than 33 per cent of the total Voting Rights conferred by all the Shares in issue;

- "Conversion" means the conversion of A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) into Ordinary Shares and Deferred Shares in accordance with the Schedule;
- "Conversion Accounts" means the audited consolidated accounts of the Company and the Subsidiaries to be drawn up in accordance with the accounting principles and policies set out in Schedule 4 to the Investment Agreement in respect of the period from 1st May of the financial year of the Group in which the Event of Conversion occurs until the date which is the 28th day prior to the Conversion Date (both dates inclusive) save where such Event of Conversion occurs less than 28 days after 1st May in any year in which case such accounts shall be drawn up in respect of the period from 1st May of the previous financial year of the Group until the beginning of such 28 day period;
- "Conversion Date" means the date upon which shall first occur an Event of Conversion;
- "Cumulative Earnings" means the aggregate of the Annual Earnings for the period from the date of adoption of these Articles until the Conversion Date or the Interim Conversion Date (as the case may be) (all dates inclusive);
- For the purposes of the aggregation:-

5.

- (a) the consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for the period from the date of adoption of these Articles until 30th April 1992 (both dates inclusive) ("the First Period") shall be the Annual Earnings for the financial year ended 30th April 1992 multiplied by the fraction $\frac{X}{366}$ where "X" is the number of days in the First Period; and
- (b) the consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for the period from 1st May of the financial year of the Group in respect of which the Conversion Accounts or the Interim Conversion Accounts have been produced until the Conversion Date or the Interim Conversion Date (as the case may be) (both dates inclusive) ("the Final Period") shall be such consolidated earnings as are demonstrated by the Conversion Accounts or the Interim Conversion Accounts (as the case may be) multiplied by the fraction $\frac{Y}{Y-28}$ where Y is the number of days in the

Final Period unless the Conversion Date or Interim Conversion Date occurs after 30th April 1996, in which case, the aggregate of Annual Earnings will be measured from the date of adoption of these Articles until 30th April 1996, (both dates inclusive);

- "Deed of Covenant" means the deed of covenant dated with the date of adoption of these Articles between (1) Messrs R. Grogan and D.A. Hoare and (2) the Company;
- "Deferred Shares" means the redeemable deferred shares of 1p each in the capital of the Company referred to in the Schedule and having the rights set out in Article 11;
- "Deferred Shareholder" means a Member who holds Deferred Shares in his capacity as a holder of Deferred Shares and not in his capacity as a holder of any other class of Shares;
- "Distributable Profits" means any profits which the Company is entitled to and does distribute to the Shareholders in accordance with the provisions of these Articles in respect of any financial year of the Company;
- "D Shares" means undesignated shares of 1p each in the capital of the Company;
- "Equity Shares" means Shares other than A Preference Shares and B Preference Shares;

- "Event of Conversion" means any one of the following:-
- (a) Flotation;
 - (b) Refinancing;
 - (c) Sale;
 - (d) a resolution being passed for the voluntary winding up of the Company;
 - (e) a Partial Sale following a Partial Refinancing;
 - (f) a Partial Refinancing following a Partial Sale;
- "Event of Interim Conversion" means either of the following:-
- (a) Partial Refinancing;
 - (b) Partial Sale;
- "Existing Investors" means Apex Partners & Co. Ventures Ltd., Candover Investments plc, Candover Trustees Limited and Electra Investment Trust plc;
- "Financial Institution" means any authorised institution within the meaning of the Banking Act 1987, any investment trust or investment company (within the meaning of Chapter 3 of Section 10 of the Yellow Book) which has been listed, any authorised unit trust within the meaning of ss.77 and 78 of the FSA, any building society within the meaning of s.5 of the Building Societies Act 1985, or any insurance company within the meaning of s.96 of the

Insurance Companies Act 1982 or any subsidiary or any pension or investment fund managed by any of the foregoing or any other person who is an authorised person under the FSA and, in addition, includes a co-investment scheme of a Financial Institution;

"Flotation"

means the allotment of further Ordinary Shares in the capital of the Company or the sale, transfer or other disposal of any of the existing Ordinary Shares in the capital of the Company in circumstances where such allotment, sale, transfer or disposal is effected in connection with obtaining a listing of or market in Ordinary Shares by public offer or public or private placing or otherwise for the purpose of creating or establishing a market in Ordinary Shares on the Stock Exchange, or on the Unlisted Securities Market or any other recognised investment exchange approved as such for the purposes of Part V of the FSA and "float" shall be construed accordingly;

"FSA"

means the Financial Services Act 1986;

"General Offer"

means a general offer to be made in accordance with Article 21.15 by a person who is proposing to acquire or increase a Controlling Interest;

"the Group"	means the Company and the Subsidiaries from time to time;
"Interim Conversion Accounts"	means the audited consolidated accounts of the Company and the Subsidiaries to be drawn up in accordance with the accounting principles and policies set out in Schedule 4 to the Investment Agreement in respect of the period from 1st May of the financial year of the Group in which the Event of Interim Conversion occurs until the date which is the 28th day prior to the Interim Conversion Date (both dates inclusive) save where such Event of Conversion occurs less than 28 days after 1st May in any year in which case such accounts shall be drawn up in respect of the period from 1st May of the previous financial year of the Group until the beginning of such 28 day period;
"Interim Conversion Date"	means the date upon which shall first occur an Event of Interim Conversion;
"Investment Agreement"	means the agreement dated with the date of adoption of these Articles between (1) Allen & Company Incorporated, (2) the Company, (3) the Founders (as therein defined), (4) the Existing Investors and (5) Talisman;
"Liquidation"	means the making of a winding-up order by the court or the passing of a resolution by the

Members proposing that the Company be wound up;

"Loan Notes" means the A Unsecured Loan Notes and the B Unsecured Loan Notes as defined in the Investment Agreement;

"Management Agreement" means the agreement dated with the date of adoption of these Articles between (1) the Company and (2) Talisman Management Limited for the provision of management services to the Company and the Subsidiaries.

"Member" means a member of the Company;

"New Investor" means Allen & Company Incorporated of 711 Fifth Avenue, New York 10022;

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

"Operating Plan" means the operating plan relating to the business of ACL dated 14th August, 1991;

"Option Agreement" means the agreement dated with the date of adoption of these Articles between the New Investor and Talisman;

"Ordinary Shares" means the ordinary shares of 1p each in the capital of the Company;

"Partial Refinancing" means the issue of any Equity Shares to a bona fide subscriber or (as part of a single transaction) subscribers (for the purpose of raising additional working capital for the business of the Company or any of the Subsidiaries) such new Equity Shares

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representing 33 per cent or less but more than 20 per cent of the Equity Shares in issue immediately before the issue of such new Equity Shares but nevertheless excluding the issue of any D Shares;

"Partial Sale"

means the sale (by way of private treaty) of Shares representing 33 per cent or less of the Voting Rights to a single bona fide purchaser (or to one or more bona fide purchasers as part of a single transaction) but nevertheless excluding:-

- (a) any sale or transfer by the New Investor of such number of Shares (in respect of which the New Investor is the registered holder) or any interest therein as represents 33 per cent or less of the issued share capital of the Company at any time within the period of 6 months from the date of adoption of these Articles;
- (b) any sale or transfer by the New Investor of the due proportion of Shares (referred to in (a) above) in accordance with Articles 18.1 and 18.2 at any time prior to Conversion;
- (c) any sale or transfer of Shares representing twenty per cent or less of the Voting Rights at any time prior to Conversion; and

- (d) any transfer by the B Shareholders of any B Shares or any B Preference Shares in accordance with Article 19.1 at any time prior to Conversion;

"Projected Annual Earnings"

means the projected consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for each of the financial years of the Group (as demonstrated by the Operating Plan);

"Projected Cumulative Earnings"

means the aggregate of Projected Annual Earnings for the period from the date of adoption of these Articles until the Conversion Date or the Interim Conversion Date (as the case may be) (all dates inclusive) as demonstrated by the Operating Plan;

For the purposes of the aggregation:

- (a) the projected consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for the period from the date of adoption of these Articles until 30th April 1992 (both dates inclusive) ("the First Projected Period") shall be the Projected Annual Earnings for the financial year ended 30th April 1992 multiplied by the fraction $\frac{X}{366}$ where "X" is the number of days in the First Projected Period;

and

- (b) the projected consolidated earnings before interest, taxation and depreciation of the Company and the Subsidiaries for the period from 1st May of the financial year of the Group in which the Event of Conversion or the Event of Interim Conversion occurs until the Conversion Date or the Interim Conversion Date (as the case may be) (both dates inclusive) ("the Final Projected Period") shall be such consolidated earnings as demonstrated by the Projected Annual Earnings for the financial year of the Company in which the Event of Conversion or the Event of Interim Conversion occurs multiplied by the fraction $\frac{Y}{365}$ where Y is the number of days in the Final Projected Period unless the Conversion Date or Interim Conversion Date occurs after 30th April, 1996, in which case, the aggregate of Projected Annual Earnings will be measured from the date of adoption of these Articles until 30th April 1996 (both dates inclusive);

"Refinancing"

means the issue of any Equity Shares to a bona fide subscriber or (as part of a single transaction) subscribers (for the purpose of

raising additional working capital for the business of the Company or any of the Subsidiaries) such new Shares representing more than 33 per cent of the Equity Shares (or when aggregated with any Equity Shares issued on a Partial Refinancing represent more than 33 per cent of the Equity Shares) in issue immediately before the issue of such new Equity Shares;

Refinancing Shares"

means any Shares issued on a Partial Refinancing, a Refinancing or other refinancing;

"Register"

means the Register of Members;

"Sale"

means the sale (by way of private treaty) of Shares representing more than 33 per cent of the Voting Rights (or when aggregated with Shares sold on a Partial Sale or Partial Sales represent more than 33 per cent of the Voting Rights) to a bona fide single purchaser (or to one or more bona fide purchasers as part of a single transaction) but nevertheless excluding:-

- (a) any sale or transfer by the New Investor of such number of Shares (in respect of which the New Investor is the registered holder) or any interest therein as represents more than 33 per cent of the issued share capital of the Company at any time within the

period of 6 months from the date of adoption of these Articles;

- (b) any sale or transfer by the New Investor of the due proportion of Shares (referred to in (a) above) in accordance with Articles 18.1 and 18.2;

"Sale and Purchase Agreement" means the agreement dated with the date of adoption of these Articles between (1) Messrs N.R. Fridge and D.G.F.A.X. Soskin, (2) the Existing Investors, (3) the Company and (4) Talisman Management International Limited for the purchase by the Company of the entire issued share capital of ACL;

"Schedule" means the schedule to these Articles;

"Secretary" includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;

"Shares" means shares in the capital of the Company;

"Shareholder" means a person who holds Shares;

"the Stock Exchange" means The International Stock Exchange of the United Kingdom and Republic of Ireland Limited;

"Subsidiaries" means ACL and other subsidiary companies and subsidiary undertakings from time to time of the Company or ACL;

"Table A" means Table A set out in the Companies (Tables A to F) Regulations 1985 as amended;

"Talisman"	means Talisman Management International Limited;
"Talisman Director"	means a director appointed pursuant to Article 35;
"Voting Rights"	means the right to receive notice of, attend (in person or by proxy), speak (in person or by proxy) at and vote (in person or by proxy) at general meetings of the Company;
"Yellow Book"	means the publication entitled "Admission of Securities to Listing" published by the Council of the Stock Exchange.

- 1.2 References to writing includes typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form.
- 1.3 Any words or expressions defined in the Act as in force at the date when these Articles are adopted will bear the same meaning in these Articles.
- 1.4 References in these Articles to the serving of notices by any particular method shall be construed as permissive only and shall not exclude the service or delivery of notice by any other means.
- 1.5 The Schedule shall be deemed to form part of and be construed as one with these Articles.
- 1.6 Where for any purpose an ordinary resolution of the Company is required, a special or extraordinary resolution shall also be effective and, where an extraordinary resolution is required, a special resolution shall also be effective.

PRELIMINARY

2. Subject as hereinafter provided the Regulations contained or incorporated in Table A shall apply to the Company save insofar as they are varied or excluded by or are inconsistent with the Articles hereinafter contained.
3. Regulations 2, 3, 24, 39, 40, 54, 64 to 69 (inclusive), 73 to 81 (inclusive), 89 and 113 of Table A shall not apply to the Company.

PRIVATE COMPANY

4. The Company is a private company and accordingly the Company shall not offer to the public (whether for cash or otherwise) any shares in or debentures of the Company.

SHARE CAPITAL

- 5.1 The share capital of the Company at the date of adoption of these Articles is £205,015 divided into 1,500 Ordinary Shares, 10,000,000 A Shares, 8,400,000 A Preference Shares, 500,000 B Shares, 100,000 B Preference Shares, 500,000 C Shares and 1,000,000 D Shares.
- 5.2 All certificates for Ordinary Shares shall bear distinguishing numbers and Regulation 6 of Table A shall be qualified accordingly.

A PREFERENCE SHARES

6. The A Preference Shares entitle the A Preference Shareholders to the following rights:-

6.1 Income

- 6.1.1 The right to receive in priority to the transfer of any sum to reserves and to the rights of the holders of any other class of Shares and payable subject to a unanimous resolution of the Board, a non-cumulative dividend ("the A Dividend") at the rate of 8% per annum on the total amount of the capital for the time being paid up (including any premium) on A

Preference Shares which have not been redeemed from the profits and reserves legally available for distribution in respect of each of the financial years of the Company ending respectively on 30th April, 1992, 30th April, 1993, 30th April, 1994 and 30th April, 1995.

- 6.1.2 The right to receive in priority to the transfer of any sums to reserves and to the rights of the holders of any other class of Shares a cumulative dividend ("the Cumulative Dividend") in the amounts (specified below) on the total amount of the capital for the time being paid up (including any premium (and for these purposes the premium paid shall be deemed to be 99 pence per A Preference Share)) on A Preference Shares which have not been redeemed ("the Paid Up Amount") from the profits and reserves legally available for distribution in respect of each of the following financial years of the Company:-

- 6.1.2.1 in respect of the year ending 30th April 1996 the greater of 4% of the Paid Up Amount and 8% of the Annual Earnings for the financial year of the Company ended 30th April 1995 (as demonstrated by the Accounts for the financial year of the Company ended 30th April 1995) multiplied by the fraction $\frac{\text{the Paid Up Amount}}{8400000}$,

- 6.1.2.2 in respect of the year ending 30th April 1997 14% of the Paid Up Amount less the amount

of the Cumulative Dividend for the year ended 30th April 1996;

6.1.2.3 in respect of the year ending 30th April 1998
6% of the Paid Up Amount.

6.1.3 The A Dividend and the Cumulative Dividend shall accrue from day to day and be paid semi-annually on 31st July and 31st January in each financial year out of the profits of the Company available for distribution PROVIDED THAT the first payment in respect of the A Dividend shall be made on 31st July 1992 and shall be calculated in respect of the period from the date of adoption of these Articles up to and including 31st July 1992 and the first payment in respect of the Cumulative Dividend shall be made on 31st July 1995 and shall be calculated in respect of the period from 1st May 1995 up to and including 31st July 1995. Any A Dividend or Cumulative Dividend which becomes due and payable on any dividend payment date but which is not paid by the Company shall become a debt due and payable by the Company.

6.1.4 In the event that in respect of the year ended 30th April 1996 the due proportion of 8% of the Annual Earnings (calculated in accordance with Article 6.1.2.1) is greater than 4% of the Paid Up Amount a sum equal to the excess ("the Outstanding Amount") shall become due and payable to the A Preference Shareholders on the payment date next following the adoption by the Company in general meeting of the audited consolidated accounts of the Group for the year ended

30th April 1995. Interest will accrue in accordance with the provisions of Article 6.1.4 on the Outstanding Amount from 1st May 1996 until the date of payment.

- 6.1.5 Interest will accrue at 2 per cent per annum over the base lending rate of the Bank of England on the amount of the A Dividend and/or Cumulative Dividend which has become due but which has not been paid, from the date on which such A Dividend and/or Cumulative Dividend becomes due until the date of payment.

6.2 Capital

On a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution amongst the Shareholders *pari passu* with the B Preference Shareholders (as if the A Preference Shares and the B Preference Shares constituted one class) but otherwise in priority to any payment to the holders of any other class of Shares:-

- 6.2.1 the right to receive the amount subscribed including premium for each A Preference Share held by them; and
- 6.2.2 a sum equal to any arrears of Cumulative Dividend or any A Dividend and/or Cumulative Dividend accrued but unpaid together with any interest thereon calculated down to the date of return of capital.

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

6.4 Redemption

6.4.1 Subject to the Act, and as hereinafter provided the Company shall redeem the A Preference Shares for cash at a sum equal to the amount subscribed including premium per A Preference Share on 30th November 1998.

6.4.2 Notwithstanding the provisions of Article 6.4.1, and subject always to the provisions of Article 8.4.13, the Company shall (at the option of each of the A Preference Shareholders exercisable by notice in writing to the Company) redeem the A Preference Shares (in respect of which such A Preference Shareholder is the registered holder) for cash at a sum equal to the amount subscribed including premium per A Preference Share if any of the following events occur, namely:-

6.4.2.1 if the Company does not pay on the date due any money which may have become due in accordance with this Article 6 and fails to make payment within 14 days of receipt by the Company of notice in writing from the A Preference Shareholder demanding payment by the Company;

6.4.2.2 if any distress, execution, sequestration or other process is levied or enforced upon or against the Company or any of its property and is not discharged within seven days;

6.4.2.3 if the Company is unable to pay its debts within the meaning of Section 123 of the

Insolvency Act 1986 or any statutory modification or re-enactment thereof for the time being in force or certifies that it is unable to pay its debts as and when they fall due;

6.4.2.4 if the Company fails to comply with any of the terms of this Article 6 and such default has not been remedied within 14 days of receipt by the Company of notice in writing from the A Preference Shareholders requesting that the Company complies with the terms of this Article 6;

6.4.2.5 if the Company and the Subsidiaries have failed by the third anniversary of the date of issue of the A Preference Shares to acquire three schools of a size comparable to the schools currently identified in the Operating Plan as potential targets for acquisition;

6.4.2.6 any debentures, debenture stock, loan capital or other indebtedness of the Company becoming repayable before the due date by reason of any default on the part of the Company;

6.4.2.7 if the Company ceases to carry on its business or threatens to cease to carry on the same or substantially changes the nature of its business.

6.4.3 Notwithstanding the provisions of Articles 6.4.1 or 6.4.2 the Company shall redeem the A Preference

Shares for cash at a sum equal to the amount subscribed including premium per A Preference Share if any of the following events occur, namely:-

- 6.4.3.1 the Conversion Date;
 - 6.4.3.2 if an order is made for the winding up of the Company by the court;
 - 6.4.3.3 if any secured creditor or encumbrancer takes possession or a receiver is appointed of all or any part of the property and assets of the Company;
 - 6.4.3.4 if an administration order is made in relation to the Company pursuant to the Insolvency Act 1986 or a voluntary arrangement is made pursuant to the provisions of Part 1 of such Act or any statutory modification or re-enactment thereof.
- 6.4.4 On or before the date of redemption of the A Preference Shares in accordance with this Article 6 ("the A Redemption Date") the A Preference Shareholders shall deliver to the Office certificates in respect of the A Preference Shares to be redeemed on the A Redemption Date.
- 6.4.5 Upon the A Redemption Date the capital redemption sum set out in Article 6.4.1 and any A Dividend and/or Cumulative Dividend due and payable or accrued to the A Redemption Date, which is outstanding on each A Preference Share up to the A Redemption Date and any interest due thereon ("the A Redemption Moneys") shall become a debt due and

payable by the Company in respect of those A Preference Shares to be redeemed to the A Preference Shareholders and upon receipt of the relevant share certificates (or an indemnity in respect thereof in a form reasonably satisfactory to the Company) the Company shall forthwith upon the A Redemption Date pay the A Redemption Moneys to the appropriate A Preference Shareholder.

6.4.6 The Company shall cancel the share certificate of the A Preference Shareholder concerned.

6.4.7 If any A Preference Shareholder whose A Preference Shares are liable to be redeemed shall fail or refuse to deliver up the certificate for the A Preference Shares of such A Preference Shareholder the Company may retain the A Redemption Moneys until delivery of the certificate (or of an indemnity in respect thereof in a form reasonably satisfactory to the Company) but shall thereupon pay the A Redemption Moneys to the A Preference Shareholder.

6.4.8 As from the A Redemption Date interest shall cease to accrue on any A Dividend and/or any Cumulative Dividend which has not been paid on any A Preference Shares due to be redeemed on that date unless on the presentation of the certificate (or any indemnity as aforesaid) relating thereto the Company fails to make payment of the redemption moneys in which case such interest shall be deemed to have continued and shall continue to accrue from the relevant A Redemption Date to the date of payment.

6.5 Voting

A Preference Shareholders shall be entitled to receive notice of and to attend and speak, but not to vote, at all General Meetings of the Company unless the Company:-

6.5.1 shall not have paid the A Dividend due and/or the Cumulative Dividend within 30 days of its due date for payment; or

6.5.2 shall have failed to make payment of any A Redemption Moneys within 7 days of their due date for payment;

and in any of such events, the A Preference Shareholders shall be entitled to receive notice of, to attend and until payment or redemption or remedy of breach (as the case may be) to vote at any general meeting of the Company and on a show of hands each A Preference Shareholder present in person or by proxy shall have one vote and on a poll shall have one vote for every A Preference Share of which such A Preference Shareholder is the holder.

6.6 Partial Redemption by the Company

Any redemption of some but not all of the A Preference Shares shall be made amongst the holders thereof pro rata to their holdings of A Preference Shares, and the Board shall be entitled to round up or down to the nearest convenient whole number (as they shall in their absolute discretion think fit) any fraction of a share to be redeemed in accordance with this Article.

6.7 The Company shall use all reasonable endeavours to redeem the A Preference Shares on 1st May 1995 or such later date as the Shareholders shall agree in writing.

B PREFERENCE SHARES

7. The B Preference Shares entitle the B Preference Shareholders to the following rights:-

7.1 Income and Capital

On a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution amongst the Shareholders *pari passu* with the A Preference Shareholders (as if the A Preference Shares and the B Preference Shares constituted one class) but otherwise in priority to any payment to the holders of any other class of Shares the right to receive the amount subscribed including premium for each B Preference Share held by them.

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

7.3 Redemption

7.3.1 Subject to the Act, and as hereinafter provided the Company shall redeem the B Preference Shares for cash at a sum equal to the amount subscribed including premium per B Preference Share on 30th November 1998.

7.3.2 Notwithstanding the provisions of Article 7.3.1, and subject always to the provisions of Article 8.4.13, the Company shall (at the option of each of the B Preference Shareholders exercisable by notice in writing to the Company) redeem the B Preference Shares (in respect of which such B Preference Shareholder is the registered holder) for cash at a sum equal to the amount subscribed including premium

per B Preference Share if any of the following events occur, namely:-

- 7.3.2.1 if the Company does not pay on the date due any money which may have become due in accordance with this Article 7 and fails to make payment within 14 days of receipt by the Company of notice in writing from the B Preference Shareholder demanding payment by the Company;
- 7.3.2.2 if any distress, execution, sequestration or other process is levied or enforced upon or sued out against the Company or any of its property and is not discharged within seven days;
- 7.3.2.3 if the Company is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or any statutory modification or re-enactment thereof for the time being in force or certifies that it is unable to pay its debts as and when they fall due;
- 7.3.2.4 if the Company fails to comply with any of the terms of this Article 7 and such default has not been remedied within 14 days of receipt by the Company of notice in writing from the B Preference Shareholder requesting that the Company complies with the terms of this Article 7;

- 7.3.2.5 any debentures, debenture stock, loan capital or other indebtedness of the Company becoming repayable before the due date by reason of any default on the part of the Company;
 - 7.3.2.6 if the Company ceases to carry on its business or threatens to cease to carry on the same or substantially changes the nature of its business.
- 7.3.3 Notwithstanding the provisions of Articles 7.3.1 and 7.3.2 the Company shall redeem the B Preference Shares for cash at a sum equal to the amount subscribed including premium per B Preference Share if any of the following events occur, namely:-
- 7.3.3.1 the Conversion Date;
 - 7.3.3.2 if an order is made for the winding up of the Company by the court;
 - 7.3.3.3 if any secured creditor or encumbrancer takes possession or a receiver is appointed of all or any part of the property and assets of the Company;
 - 7.3.3.4 if an administration order is made in relation to the Company pursuant to the Insolvency Act 1986 or a voluntary arrangement is made pursuant to the provisions of Part 1 of such Act or any statutory modification or re-enactment thereof.
- 7.3.4 On or before the date of redemption of the B Preference Shares in accordance with this Article 7

("the B Redemption Date") the B Preference Shareholders shall deliver to the Office certificates in respect of the B Preference Shares to be redeemed on the B Redemption Date.

7.3.5 Upon the B Redemption Date the capital redemption sum set out in Article 7.3.1 ("the B Redemption Moneys") shall become a debt due and payable by the Company in respect of those B Preference Shares to be redeemed to the B Preference Shareholders and upon receipt of the relevant share certificates (or an indemnity in respect thereof in a form reasonably satisfactory to the Company) the Company shall forthwith upon the B Redemption Date pay the B Redemption Moneys to the appropriate B Preference Shareholder.

7.3.6 The Company shall cancel the share certificate of the B Preference Shareholder concerned.

7.3.7 If any B Preference Shareholder whose B Preference Shares are liable to be redeemed shall fail or refuse to deliver up the certificate for the B Preference Shares of such B Preference Shareholder the Company may retain the B Redemption Moneys until delivery of the certificate (or of an indemnity in respect thereof in a form reasonably satisfactory to the Company) but shall thereupon pay the B Redemption Moneys to the B Preference Shareholder.

7.4 Voting

B Preference Shareholders shall be entitled to receive notice of and to attend and speak, but not to vote, at all General Meetings

of the Company unless the Company shall have failed to make payment of any B Redemption Moneys within 7 days of their due date for payment and in any of such event, the B Preference Shareholders shall be entitled to receive notice of, to attend and until payment or redemption or remedy of breach (as the case may be) to vote at any general meeting of the Company and on a show of hands each B Preference Shareholder present in person or by proxy shall have one vote and on a poll shall have one vote for every B Preference Share of which such B Preference Shareholder is the holder.

7.5 Partial Redemption by the Company

Any redemption of some but not all of the B Preference Shares shall be made amongst the holders thereof pro rata to their holdings of B Preference Shares, and the Board shall be entitled to round up or down to the nearest convenient whole number (as they shall in their absolute discretion think fit) any fraction of a share to be redeemed in accordance with this Article.

RIGHTS ATTACHING TO THE A SHARES

8. The A Shares entitle the A Shareholders, in proportion to their respective holdings, to the following rights:-

8.1 Income

- 8.1.1 Until the issue of the C Shares immediately prior to Conversion the right (after the payment of the A Dividend and the Cumulative Dividend) the Distributable Profits *pari passu* with the B Shareholders (in the ratio 95% to the A Shareholders and 5% to the B Shareholders) as if the A Shares and the B Shares constituted one class.

8.1.2 Upon the issue of the C Shares the right (after the payment of the A Dividend and the Cumulative Dividend) to the Distributable Profits *pari passu* with the B Shareholders and the C Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

8.2 Capital

8.2.1 Until the issue of the C Shares immediately prior to Conversion on a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution among the Shareholders (after the payment of the A Redemption Moneys, the B Redemption Moneys and the amount paid up on the Talisman Shares):-

8.2.1.1 the right to receive £1 for each A Share held by them and dividends declared but unpaid; and

8.2.1.2 after the prior payment of £1 to each B Shareholder for each B Share in issue and after the prior payment of the amount paid up on the Talisman Shares the right to receive the remaining assets of the Company *pari passu* with the B Shareholders (in the ratio 95% to the A Shareholders and 5% to the B Shareholders) as if the A Shares and the B Shares constituted one class.

8.2.2 Upon the issue of the C Shares on a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution among the

Shareholders the right (after the payment of the A Redemption Moneys and the B Redemption Moneys) to receive such assets *pari passu* with the B Shareholders and C Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

8.3 Voting

On a show of hands each A Shareholder shall have one vote and on a poll every A Shareholder present in person or by proxy shall have one vote for each A Share of which the A Shareholder is the registered holder.

8.4 Class Rights

In addition to any other approval required by law or these Articles until Conversion the following shall require the consent in writing of the holders of not less than half in nominal value of the A Shares or the sanction of an ordinary resolution passed at a separate meeting of the holders of the A Shares:-

- 8.4.1 any increase in the aggregate of the borrowings of the Company and the Subsidiaries (excluding the subordinated unsecured loan stock of ACL) beyond £5 million;
- 8.4.2 any change in the nature of the business carried on by the Company or any of the Subsidiaries;
- 8.4.3 the disposal of the whole or any substantial part of the business or assets of the Company or any of the Subsidiaries or the whole or any part of the issued share capital of any of the Subsidiaries;
- 8.4.4 the acquisition of any business or asset by the Company or any of the Subsidiaries at a price in excess of £2.5 million;

- 8.4.5 any alteration to the Memorandum or Articles of Association of the Company or any of the Subsidiaries;
- 8.4.6 the modification, variation or abrogation of the rights attaching to any Shares or the shares of any of the Subsidiaries;
- 8.4.7 the issue of any D Shares in connection with the acquisition of any business or asset or the issued share capital (whether in whole or in part) of any company by the Company or any of the Subsidiaries;
- 8.4.8 the passing of any resolution to increase consolidate, divide or sub-divide the authorised share capital of the Company or the allotment issue purchase or cancellation of any Shares or the grant or agreement to grant to any person any option or right to subscribe for or otherwise require the issue or allotment or creation or issue of any Shares or the issue or allotment of Shares pursuant thereto or an allotment or issue pursuant to an employees' shares scheme previously approved pursuant to Article 8.4.12;
- 8.4.9 the proposing of any resolution that the Company or any of the Subsidiaries be wound up;
- 8.4.10 any alterations to the terms of or waiver of any of the provisions of the Management Agreement;
- 8.4.11 the payment of any dividend (other than the A Dividend and the Cumulative Dividend) or the making of any other distribution by the Company;
- 8.4.12 the creation of any employees' share scheme;

- 8.4.13 the redemption of the A Preference Shares pursuant to Article 6.4.2 and the redemption of the B Preference Shares pursuant to Article 7.3.2;
- 8.4.14 the repayment of the principal and accrued interest (if any) pursuant to Condition 8(a) of the A Loan Notes or the repayment of the principal pursuant to Condition 6(a) of the B Loan Notes and any prepayment of the principal and accrued interest (if any) outstanding under the Loan Notes.

RIGHTS ATTACHING TO THE B SHARES

- 9. 9.1 The B Shares entitle the B Shareholders, in proportion to their respective holdings, to the following rights:-

Income

- 9.1.1 Until the issue of the C Shares immediately prior to Conversion the right (after the payment of the A Dividend and the Cumulative Dividend) the Distributable Profits pari passu with A Shareholders (in the ratio 5% to the B Shareholders and 95% to the A Shareholders) as if the B Shares and the A Shares constituted one class.
- 9.1.2 Upon the issue of the C Shares the right (after the payment of the A Dividend and the Cumulative Dividend) to the Distributable Profits pari passu with A Shareholders and C Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

9.2 Capital

- 9.2.1 Until the issue of the C Shares immediately prior to Conversion on a return of capital on Liquidation or otherwise in respect of the assets of the Company

available for distribution among the Shareholders (after the payment of the A Redemption Moneys and the B Redemption Moneys):-

- 9.2.1.1 after the payment to the A Shareholders of £1 for each A Share held by the A Shareholders, the right to receive £1 for each B Share held by them;
 - 9.2.1.2 after payment of the amount paid upon the Talisman Shares; and
 - 9.2.1.3 the right to receive 5 per cent of the remaining assets of the Company pari passu with the A Shareholders (in the ratio 5% to the B Shareholders and 95% to the A Shareholders) as if the A Shares and the B Shares constituted one class.
- 9.2.2 Upon the issue of the C Shares on a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution among the Shareholders the right (after the payment of the A Redemption Moneys and the B Redemption Moneys) to receive such assets pari passu with the A Shareholders and C Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

9.3 Voting

The B Shares shall carry no voting rights but the Company shall not without the prior written consent of the B Shareholders propose at a general meeting of the Company any members resolution:-

- 9.3.1 to vary any rights attached to the B Shares;

9.3.2 to amend any of the provisions of these Articles which would affect the conversion of the B Shares into Ordinary Shares; and

9.3.3 to increase the authorised share capital of the Company to issue additional B Shares.

9.4 The Company shall use all reasonable endeavours to redeem the B Preference Shares on 1st May 1995 or such later date as the Shareholders shall agree in writing.

RIGHTS ATTACHING TO THE C SHARES

10. The C Shares (which shall only be issued by the Company in connection with any employees' share scheme) entitle the C Shareholders in proportion to their respective holdings, to the following rights:-

10.1 Income

The right (after the payment of the A Dividend and the Cumulative Dividend) to the Distributable Profits *pari passu* with the A Shareholders and the B Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

10.2 Capital

On a return of capital on Liquidation or otherwise in respect of the assets of the Company available for distribution among the Shareholders the right (after the payment of the A Redemption Moneys and the B Redemption Moneys) to receive such assets *pari passu* with the A Shareholders and the B Shareholders as if the A Shares, the B Shares and the C Shares constituted one class.

10.3 Voting

On a show of hands each C Shareholder shall each have one vote and on a poll every C Shareholder present in person or by

proxy shall have one vote for each C Share of which the C Shareholder is the registered holder.

RIGHTS ATTACHING TO THE DEFERRED SHARES

11. The Deferred Shares will carry no voting rights, no rights to a dividend or other distribution, no class or consent rights and will upon a return of capital on Liquidation or otherwise receive 1p for each 1,000 (or part thereof) Deferred Shares in advance of the sums payable on the Ordinary Shares and shall be redeemable at the option of the Company exercisable by notice in writing to the Deferred Shareholders. The Deferred Shares shall have no further rights.

RESTRICTIONS ATTACHING TO THE ORDINARY SHARES AND OBLIGATIONS UPON THE COMPANY PRIOR TO CONVERSION IN RELATION TO TALISMAN

12. 12.1 Prior to Conversion the following restrictions shall attach to the Ordinary Shares in issue at the date of adoption of these Articles ("the Talisman Shares"). Neither Talisman nor any transferee of Talisman shall be entitled:
 - 12.1.1 to receive any dividend or other distribution in respect of the Talisman Shares;
 - 12.1.2 to exercise any votes in respect of the Talisman Shares;
 - 12.1.3 upon a return of capital on Liquidation or otherwise to receive any assets of the Company save for the amount paid up on the Talisman Shares after payment of the amounts paid up on the A Preference Shares, the B Preference Shares, the A Shares and the B Shares including (in each case) any premium paid in respect thereof.

12.2 Prior to Conversion, save as hereinafter provided in this Article 12.2, Talisman shall not be entitled to transfer the Talisman Shares:-

12.2.1 Talisman shall only be entitled to transfer to the B Shareholders up to 225 Talisman Shares (in the aggregate);

12.2.2 If a B Shareholder becomes the transferee of Talisman Shares pursuant to Article 12.2.1 any proposed transfer of any such Talisman Shares by such B Shareholder shall be subject to the restrictions on transfer of B Shares contained in Articles 18 to 23 (inclusive);

12.2.3 Talisman shall be entitled to transfer the Talisman shares to a company which is its holding company or to any subsidiary of its holding company or to any of its subsidiaries provided that if any such transferee ceases to be in the same group of companies as Talisman then such transferee shall be obliged to transfer the Talisman Shares back to Talisman for no consideration and in the event of the transferee failing to execute such a transfer and to present it to the Company for registration, the Company may appoint some person to execute an instrument of transfer of Talisman Shares in favour of Talisman who shall be responsible for the cost of any stamp duty payable in respect thereof and shall thereupon cause the name of Talisman to be entered in the Register as the holder of the Talisman Shares.

12.3 Prior to Conversion the Company shall not take any action which would have the effect of varying:-

- 12.3.1 the rights or restrictions attaching to Ordinary Shares as set out in the Articles of Association;
- 12.3.2 any of the provisions of the Management Agreement.
- 12.4 Prior to Conversion the Company shall not:-
 - 12.4.1 without the prior written consent of Talisman, such consent not to be unreasonable withheld, (save for the redemption of the A Preference Shares and the B Preference Shares in accordance with these Articles) make any reduction of share capital, share premium account or capital redemption reserve involving the repayment of money to shareholders or reduce any uncalled liability in respect thereof or purchase or redeem any of its share capital or make any consolidation or sub-division of the shares in the capital of the Company;
 - 12.4.2 declare or pay any dividend (other than the A Dividend and the Cumulative Dividend) or make any other distribution without the prior written consent of Talisman, such consent not to be unreasonably withheld;
 - 12.4.3 enter into any agreement with any member or director of the Company or any person connected with any such member or director otherwise than on bona fide arm's length terms;
 - 12.4.4 subject to Article 12.5, without the prior written consent of Talisman, such consent not to be unreasonably withheld, prepay any of the principal or interest outstanding under the Loan Notes;

- 12.4.5 without the prior written consent of Talisman issue Ordinary Shares to any person other than Talisman.
- 12.5 For the avoidance of doubt any repayment of principal or interest outstanding under the Loan Notes prior to the redemption date specified in the conditions attached to the Loan Notes ("the Loan Note Conditions") in accordance with any of the Loan Note Conditions shall not require the prior written consent of Talisman.
- 12.6 In the event that the provisions of paragraphs 2.5, 2.8(i), 3.4 if 2.8(i) applies or 4.2(iii) if 4.2(i) applies of the Schedule apply upon Conversion Talisman shall within seven days of Conversion offer to sell to the A Shareholders and the B Shareholders and the C Shareholders (pro rata to their respective shareholdings) the Talisman Shares at market value. In such event the provisions of Article 21 shall mutatis mutandis apply to the calculation of the market value of each Talisman Share and its transfer pursuant to this Article 12.6.
- 12.7 In the event of the Company wrongfully terminating the Management Agreement in breach of any of its terms, Talisman shall be entitled (by notice in writing to the Company) to call for the redemption by the Company of the A Shares and the A Preference Shares ("the Option Shares") purchased by Talisman in accordance with the Option Agreement. Any such redemption shall be in priority to any other redemption of A Shares or A Preference Shares.
- 12.8 In the event of the Company receiving notice pursuant to Article 12.7 the Company shall (subject as hereinafter provided) use all reasonable endeavours to redeem the Option Shares. The obligation on the Company contained in this Article 12.8 shall

not apply to the extent that the Company and the directors of the Company are unable to fulfil the relevant criteria for redemption of shares contained in Chapter VII of the Companies 1985 or any statutory modification or re-enactment thereof but shall apply when the Company and its directors become so able.

- 12.9 The redemption price of the Option Shares shall be the lower of the subscription price of the Option Shares paid by the New Investor upon the issue of the Option Shares (including any premium) and the price calculated by the auditors of the Company in accordance with the provision of Article 21.3 which shall apply (*mutatis mutandis*) to the calculation of the redemption price of each Option Share.

CONVERSION

13. The A Shares, the B Shares and the C Shares shall convert on the Conversion Date into Ordinary Shares and Deferred Shares in accordance with the provisions set out in the Schedule.

ISSUE OF NEW SHARES

14. 14.1 Subject to the Act and these Articles, any Shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company are liable, to be redeemed. Any D Shares may, with the sanction of an ordinary resolution, be issued on terms that they are, or at the option of the Company are liable, to be redeemed.
- 14.2 Subject to the Act and these Articles, the Company may purchase Shares.
- 14.3 Subject to the provisions of the Act and of every other statute for the time being in force concerning companies and affecting the Company and to the provisions of these Articles and any

direction to the contrary that may be given by ordinary resolution of the Company, all the unissued Shares (including any redeemable shares) of the Company (whether forming part of the existing or any increased capital) shall be at the disposal of the directors, who may offer, allot, issue, grant options or rights over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions and with such preferred, deferred or other special rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the directors may determine, but so that no Shares shall be issued at a discount.

14.4 For the purposes of Section 80 of the Act, the directors are authorised generally and unconditionally to allot without the authority of the Company in general meeting up to a maximum of such amount of relevant securities (as defined in the said Section 80) as were authorised but unissued by virtue of the passing of the special resolution of the Company by which these Articles were adopted as the Articles of Association of the Company and are empowered to make offers or agreements which would or might require relevant securities to be allotted after the expiry of such authority, such authority expiring on the fifth anniversary of the date of the adoption of these Articles. In this Article, references to the allotment of relevant securities shall be construed in accordance with Section 80 of the Act.

14.5 In accordance with Section 95 of the Act, sub-Section (1) of Section 89 of the Act shall be excluded from applying to the allotment of equity securities (as defined in Section 94 of the Act) pursuant to the authority contained in Article 14.4 above.

VARIATION OF CLASS RIGHTS

15. Whenever the capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up with the consent in writing of the holders of three fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of that class but not otherwise. To every such separate meeting all the provisions of these Articles relating to General Meetings of the Company or the proceedings thereat shall *mutatis mutandis* apply except that the necessary quorum shall be one person at least holding or representing by proxy one half in nominal amount of the issued shares of the class and 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.

LIEN

16. 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 or under liability to the Company, whether such person shall be the sole registered holder thereof or shall be one of two or more joint holders.

TRANSFERS OF SHARES

17. None of the Shares (or any interest therein) shall be transferred except as permitted by, or in accordance with, the provisions contained in these Articles and the Directors shall decline to register any transfer of any Share (whether or not it is fully paid), not being a transfer permitted by or made pursuant to and in accordance with the provisions of Articles 12.2 and 18-22 (inclusive) and shall register any

transfer of any Share made in accordance with such Articles subject only to Article 23.

TRANSFER OF A SHARES

18. 18.1 A Shares and A Preference Shares (or any interest therein) may be transferred respectively by an A Shareholder or an A Preference Shareholder to a company which is its holding company or to any subsidiary of its holding company or to any subsidiary of such A Shareholder or such A Preference Shareholder or to an Affiliate or to any investment fund managed by such A Shareholder or such A Preference Shareholder provided that if any such transferee ceases to be in the same group of companies as such A Shareholder or such A Preference Shareholder or ceases to be an Affiliate or ceases to be managed by such A Shareholder or such A Preference Shareholder (as the case may be) then such transferee shall be obliged to transfer the A Shares and A Preference Shares together with any other Shares held by it back to the original A Shareholder or such A Preference Shareholder for no consideration and in the event of the transferee failing to execute such a transfer and to present it to the Board duly stamped for registration the Board may appoint some person to execute (an) instrument(s) of transfer of such Shares in favour of the Original A Shareholder or the Original A Preference Shareholder who shall be responsible for the cost of any stamp duty payable in respect thereof and shall thereupon cause the name of such Original A Shareholder or Original A Preference Shareholder to be entered in the Register as the holder of the Shares. For the purposes of this Article 18.1, "Original A Shareholder" and "Original A Preference Shareholder" means

the beneficial owner of the relevant A Shares or the relevant A Preference Shares at the date of adoption of these Articles or, if the beneficial ownership in such Shares has been transferred since the date of adoption of these Articles and in accordance with these Articles, the last transferee of such beneficial ownership (but excluding any transferee the transfer to whom was permitted by this Article 18.1).

18.2 A Shares or A Preference Shares (or any interest therein) may be transferred by the New Investor:-

18.2.1 pursuant to the Option Agreement;

18.2.2 to any investor in any investment fund managed by the New Investor upon the winding up of such investment fund provided that the New Investor enters into an agreement with such investor or investors providing (inter alia) that the New Investor will act on behalf of such investor or investors in relation to the Company;

18.2.3 to Tiger Management Corporation of 101 Park Avenue, (47th Floor), New York, New York 1078 or to any investment funds managed by Tiger Management Corporation having an aggregate subscription value (including premium) not exceeding the sterling equivalent of US dollars 2 million.

18.3 Save as permitted by Articles 18.1 and 18.2 if any A Shareholder or A Preference Shareholder wishes to sell any of its A Shares or A Preference Shares then for the purposes of the provisions of the following Articles relating to transfer of Shares such A Shares or A Preference Shares shall be offered for sale to the following class of persons in the following order of priority:-

- 18.3.1 to the remaining A Shareholders (in respect of A Shares) or A Preference Shareholders (in respect of A Preference Shares);
- 18.3.2 to a Financial Institution or Institutions;
- 18.3.3 to Talisman;
- 18.3.4 to the B Shareholders (in respect of A Shares) or B Preference Shareholders (in respect of A Preference Shares).

TRANSFERS OF B SHARES

19. 19.1 A B Shareholder or B Preference Shareholder may at any time transfer all or any B Shares or B Preference Shares (or any interest therein):-

- 19.1.1 to a privileged relation (as hereinafter defined) provided that in the case of a spouse to whom it is proposed to transfer B Shares or B Preference Shares such spouse must, before such transfer, give a written undertaking to the Company that if such spouse ceases to cohabit with the transferring B Shareholder or B Preference Shareholder then such spouse shall transfer the B Shares or B Preference Shares together with any other Shares held by such spouse back to the original transferor of such Shares for no consideration and in the event of such spouse failing to execute such a transfer and to present it to the Board duly stamped for registration the Board may appoint some person to execute (an) instrument(s) of transfer of such Shares in favour of such original transferor and shall thereupon cause the name of such original transferor to be entered in the Register as the holder of the Shares; or

19.1.2 to trustees to be held upon family trusts (as hereinafter defined) provided that the trustees shall before such transfer give an undertaking to the Company that in the event of the trust ceasing to be for the benefit of the settler and/or his privileged relations, the trustees shall transfer such B Shares or B Preference Shares together with any other Shares held by them either to trustees of a family trust of such B Shareholder or such B Preference Shareholder or a privileged relation of such B Shareholder or such B Preference Shareholder or in relation to a trust for the benefit of Mr N S Fridge or Mr D G F A X Soskin, to Mr Fridge or Mr Soskin (as the case may be) for no consideration and in the event of the trustees failing to execute such a transfer and to present it to the Board duly stamped for registration the Board may appoint some person to execute (an) instrument(s) of transfer of such B Shares or B Preference Shares in favour of the relevant transferee and shall thereupon cause the name of such transferee to be entered in the Register as the holder of the B Shares or B Preference Shares.

19.2 For the purposes of this Article:-

19.2.1 "privileged relation" means the spouse and every child, stepchild or adopted child of Mr Soskin or Mr Fridge in relation to whom B Shares or B Preference Shares are held;

19.2.2 "family trusts" means, in relation to any B Shareholder or any B Preference Shareholder, trusts the beneficiaries or potential beneficiaries whereunder are

exclusively Mr Soskin or Mr Fridge (in relation to whom B Shares or B Preference Shares are held) and/or one or more privileged relations of such B Shareholder or such B Preference Shareholder.

19.3 Save as permitted by Article 19.1 if any B Shareholder or B Preference Shareholder wishes to sell any of the B Shares or B Preference Shares then for the purposes of the provisions of the following Articles relating to transfer of Shares such B Shares or B Preference Shares shall be offered for sale to the following classes of persons in the following order of priority:-

19.3.1 to the other B Shareholders (in respect of B Shares) or B Preference Shareholders (in respect of B Preference Shares);

19.3.2 to the A Shareholders (in respect of B Shares) or A Preference Shareholders (in respect of B Preference Shares);

19.3.3 to Talisman.

OTHER TRANSFERS

20. In the next succeeding Article the following words shall bear the following meanings:-

20.1 "Proposing Transferor" shall mean a Member proposing to dispose of Shares or any interest therein;

20.2 "Transfer Notice" shall mean a written notice served by a Member on the Company indicating such Member's desire to dispose of Shares or any interest therein;

20.3 "the Prescribed Price" shall mean the price per Share specified in the Transfer Notice or (if no price shall be so specified) the price per Share certified by the Auditors pursuant to Article 21.3;

- 20.4 "Purchaser" shall mean a permitted transferee willing to purchase Shares comprised in a Transfer Notice;
 - 20.5 "the Priority Rights" shall mean the rights of Members and other permitted transferees to purchase Shares comprised in a Transfer Notice in the priority stipulated in Articles 18 and 19;
 - 20.6 "Compulsory Sale Period" shall mean the period beginning on the date of adoption of these Articles and ending on the Conversion Date.
21. The right to transfer Shares or any interest therein shall be subject to the following restrictions, namely:-
- 21.1 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 the agent of the Proposing Transferor for the sale of Shares therein mentioned at the Prescribed Price to any permitted transferee. Except as hereinafter provided, a Transfer Notice once given or deemed to be given shall not be revocable except with the consent of the Board.
 - 21.2 Forthwith upon receipt of any Transfer Notice which does not specify any price per Share or upon a Transfer Notice being deemed to have been given, the Company shall request the Auditors for the time being of the Company (acting as experts and not as arbitrators) to certify the Prescribed Price.
 - 21.3 The Auditors shall within 30 days of such a request by the Company at the cost of the Proposing Transferor certify to the Company the Prescribed Price, as at the date of the Transfer Notice, that is to say the value per share of the Shares the subject of the Transfer Notice calculated on the following basis namely:-

- 21.3.1 by determining the sum which a willing purchaser would offer to a willing vendor for the whole of the issued share capital of the Company;
 - 21.3.2 by dividing the sum attributable to the class of Shares being transferred by the number of such Shares;
 - 21.3.3 by making such adjustment (if any) as the Auditors consider necessary to allow for any rights which are outstanding whereunder some person, firm or body corporate may call for the issue of further Shares.
- 21.4 The Company shall forthwith upon receipt of the certificate prepared by the Auditors and certifying the Prescribed Price notify the Proposing Transferor and the other Members. The Prescribed Price certified by the Auditors shall be the final calculation of the Prescribed Price for the purposes of the remaining provisions of Article 21.
- 21.5 All Shares included in any Transfer Notice shall, within 14 days following receipt of the Transfer Notice or (in a case falling within Article 21.3) of the final calculation of the Prescribed Price, be offered by the Company to each prospective transferee 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 limit a time (not being less than fourteen days nor more than twenty-eight days) within which the offer must be accepted or, in default, will be deemed to have been declined.
- 21.6 It is hereby declared for the avoidance of doubt that:-
- 21.6.1 any permitted transferee 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;

21.6.2 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 Board's decision as to the number of shares which shall be "in proportion as nearly as may be to their existing holding of shares of that class" shall be conclusive and final and binding;

21.6.3 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 such holder, such Shares shall be re-offered in like manner 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 the Shares of the same class shall have declined to accept any more of them.

21.7 If the Company shall after making offers 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 of 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 by written

notice given to the Company within 7 days of receiving the said notice from the Company ("the Withdrawal Period").

- 21.8 If the Company shall after making offers 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 without the right to revoke having been exercised) forthwith give notice in writing thereof to the Proposing Transferor and he shall be bound, upon 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 such Purchaser, and the purchase shall be completed at a place and time to be appointed by the Board.
- 21.9 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 receive the purchase money and shall thereupon 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 which purchase money shall only be released to the Proposing Transferor (without interest) upon the delivery to the Company of the share certificates in respect of the Shares transferred. 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.

21.10 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 Proposing Transferor shall at any time within three months after the Board has so confirmed its inability to him in writing be at liberty 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 Article 21.8, all (but not some only) of the Shares comprised in the Transfer Notice, to any person not being a Member on a bona fide sale at any price (per share) not being less than the Prescribed Price. The Board 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.

21.11 A person entitled to a Share in consequence of the bankruptcy, receivership or liquidation of a Member shall be bound at any time, if and when called upon in writing by the Board so to do, to give a Transfer Notice (without specifying a price per Share) in respect of all the Shares then registered in the name of the insolvent Member unless such person be, or shall within 90 days of becoming so entitled transfer such Shares to, a person to whom Shares may be transferred pursuant to Article 19 hereof. Regulations 29 to 31 of Table A shall take effect accordingly.

21.12 In the event that Mr Soskin's employment agreement with the Company dated the date of adoption of these Articles is properly terminated in accordance with Clause 8.1.3, 8.1.4 or

8.1.5 of that agreement during the Compulsory Sale Period or if Mr Soskin is prohibited by law (otherwise than on grounds of ill health) from being a Director of the Company or any member of the Group (irrespective of whether or not such cessation is caused by the Company terminating the Director or employee's service contract with the Company or any member of the Group) Mr Soskin and any trustees of a family trust of his and any other person to whom he or such trustees may have transferred Shares in accordance with Article 19 shall forthwith be bound to give a Transfer Notice in respect of all the Shares in each of the classes of Shares then registered in his or their name. In any such case as aforesaid the Transfer Notice(s) shall constitute the Company as his or their agent for the sale of such Shares and the provisions of these presents shall take effect. The Transfer Notice in respect of the B Shares and the B Preference Shares shall contain an offer to sell each of the B Shares and the B Preference Shares for £1 each in the following order of priority:-

- 21.12.1 to the A Shareholders (in respect of the B Shares) or the A Preference Shareholders (in respect of the B Preference Shares);
- 21.12.2 to Talisman;
- 21.12.3 to the remaining B Shareholders (in respect of the B Shares) or the B Preference Shareholders (in respect of the B Preference Shares).

The Transfer Notice in respect of any other class of Shares shall contain an offer to sell such Shares at the Prescribed Price determined pursuant to Article 21.3.

Such Transfer Notice(s) once given or deemed to be given shall not be revocable.

21.13 The provisions of Article 21.12 shall mutatis mutandis apply if:-

21.13.1 any Director or employee of the Company or any member of the Group at any time acts in a way which is detrimental to the interests of the Company and/or the Subsidiaries save where such action has had the prior approval of the Board.

21.13.2 any former Director or employee of the Company or any member of the Group is in breach of any non-compete or other restrictions contained in his service contract with the Company or any member of the Group or contained in the Sale and Purchase Agreement which remain in full force and effect notwithstanding the termination or expiration (for any reason whatsoever) of the service contract or any former Director or employee of the Company or any member of the Group at any time acts in a way which is detrimental to the interests of the Company and/or the Subsidiaries.

21.14 Subject to the provisions of Article 21.15, no sale or transfer of, or of any interest in, any Shares (the "Specified Shares") conferring a right to vote at general meetings of the Company to any person whomsoever, which would result, if made and registered, in a person whether or not then a Member obtaining or increasing a Controlling Interest in the Company, shall prior to Conversion, be made or registered and no right to subscribe for such Shares which would result, when such Shares are

issued, in such a person obtaining or increasing a Controlling Interest in the Company shall be exercised unless;

21.14.1 an offer is made to all Shareholders to purchase all the Shares in issue after Conversion and all the Shares for which any person shall then be entitled to subscribe together with an appropriate offer to the holders of a right to subscribe for Shares;

21.14.2 such offer is approved by a majority of the A Directors.

21.15 Notwithstanding the provisions of Article 21.14 a sale or transfer of, or of any interest in, any Shares conferring a right to vote at general meetings of the Company which would result, if made and registered, in a person whether or not then a Member obtaining or increasing a Controlling Interest in the Company, shall prior to Conversion, be made or registered without a General Offer having to be made in any one of the following instances:-

21.15.1 any sale or transfer by the New Investor of any A Shares or any A Preference Shares (in respect of which the New Investor is the registered holder) or any interest therein at any time within the period of 6 months from the date of adoption of these Articles;

21.15.2 any sale or transfer by an A Shareholder of any A Shares or A Preference Shares in accordance with Article 18.1 and 18.2.

21.16 Any General Offer shall attribute an equal value to each Ordinary Share resulting from Conversion treating the offer to the holders of rights to subscribe for shares as equal if the value takes account of the cost of the acquisition of the right to

subscribe (if any) and any payment to be made on the exercise of such right and a value of 1p to each 1,000 (or part thereof) Deferred Shares resulting from Conversion.

- 21.17 It shall be a term of any General Offer that a Controlling Interest is only obtained or increased in consequence of such General Offer if such General Offer becomes wholly unconditional. Any General Offer may only be conditional to the extent permitted by Rules 9.3 and 9.4 of the October 1990 Edition of the City Code on Takeovers and Mergers ("the Code") as if the Code applied to such General Offer. Any General Offer shall be made in writing (stipulated to be open for acceptance for at least twenty-eight days) to all Shareholders and shall include an undertaking by the offeror that neither he nor his Connected Persons have within the 12 months immediately preceding the making of the General Offer entered into more favourable terms with any other Shareholder for the purchase of Shares of the same class.
- 21.18 Such a General Offer shall be accepted or rejected in writing within the time period stipulated and shall be deemed to have been rejected by a Shareholder if he does not respond within such time period. If the General Offer is accepted by all Members other than the B Shareholders and the B Preference Shareholders the B Shareholders and the B Preference Shareholders shall upon the written request of the Company respectively sell the B Shares and the B Preference Shares in accordance with the terms of the General Offer.
- 21.19 Any transfer of Shares which is made as an acceptance to any General Offer shall not be subject to the restrictions on transfer contained in Articles 18 to 22 inclusive.

21.20 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 Board may from time to time require any Member or past Member or the legal personal representatives or trustee in bankruptcy, receiver, liquidator or administrator 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 Board 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 Board within a reasonable time after request, the Board 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 Board a Transfer Notice ought to have been given in respect of any Shares the Board may by notice in writing require that a Transfer Notice be given in respect of the Shares concerned.

21.21 In any case where under the provisions of these presents the Board may require a Transfer Notice to be given in respect of any Shares, if a Transfer Notice is not duly given within a period of two weeks of demand being made, a Transfer Notice shall be deemed to have been given at the expiration of the said period. In any such case as aforesaid the provisions of these presents shall take effect but so that any right of revocation conferred by Article 20 shall not apply.

21.22 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 the Member has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by the Member to the Company for the giving of notice to the Member. 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 at the time at which the letter would be delivered in the ordinary course of post.

21.23 With the consent in writing of all Members for the time being the restrictions imposed by this Article 21 may be waived or varied in relation to any proposed transfer of Shares.

22. No share shall be issued or transferred to any bankrupt or person of unsound mind.

23. 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:-

23.1 It is lodged at the Office or at such other place as the Board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

23.2 It is in respect of only one class of shares.

23.3 It is in favour of not more than four transferees.

- 24.1 The Company may by ordinary resolution increase its share capital by the creation of new D Shares. Save as provided in this Article, in regulation 32 of Table A there shall be substituted for the words "ordinary resolution" the words "special resolution".
- 24.2 The Company shall only issue D Shares in connection with the acquisition (at arms length) of any business or asset or the issued share capital (whether in whole or in part) of any company by the Company or any of the Subsidiaries.

GENERAL MEETINGS

25. 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 auditors for the time being of the Company.
26. In regulation 50 of Table A there shall be inserted after the word "shall" and before the words "be entitled" the word "not".
27. In the case of a corporation a resolution in writing may be signed on its behalf by a Director or the Secretary thereof or by its duly appointed attorney or duly authorised representative. Regulation 53 of Table A shall be extended accordingly.
28. No business shall be transacted at any General Meeting unless the requisite quorum is present when the Meeting proceeds to business. Two members present in person or by proxy (or, in the case of a member being a corporation by representative) shall be a quorum for all purposes provided that one such Member shall be the New Investor (for so long as the New Investor is the registered holder of A Shares).
29. No Shares other than A Shares registered in the name of the New Investor shall confer any right to vote either on a show of hands or on

a poll upon a resolution for the appointment or removal from office of an A Director nominated by the New Investor.

30. No Shares other than A Shares registered in the names of the Existing Investors shall confer any right to vote either on a show of hands or on a poll upon a resolution for the appointment or removal from office of an A Director nominated by the Existing Investors.

DIRECTORS

31. Unless and until the Company in general meeting shall otherwise determine the number of directors shall be not less than two or more than 10.
32. Any Director of the Company who, by request, performs special services or goes or resides abroad for any purpose of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
33. Subject to compliance with the requirements of Section 317 of the Companies Act, 1985, a Director may vote as a Director in regard to any contract or arrangement in which he is interested or upon any matter arising therefrom and if he shall so vote his vote shall be counted and he shall be reckoned in estimating a quorum when any such contract or arrangement is under consideration. Regulations 94 and 95 of Table A shall be modified accordingly.
34. The Directors shall not be subject to retirement by rotation.

NOMINATED DIRECTORS

35. 35.1 Prior to Conversion, the Existing Investors shall be entitled from time to time to appoint any person to be an A Director for so long as the aggregate of the holdings of A Shares of the Existing Investors is 25% or more ("the Relevant Percentage") of the aggregate of the issued A Shares and B Shares PROVIDED ALWAYS THAT no Existing Investor shall be entitled to

appoint an A Director by virtue of the provisions of Article 35.2 in the event of its holding of A Shares constituting the Relevant Percentage. After Conversion, the Existing Investors shall be entitled from time to time to appoint any person to be a director of the Company for so long as the aggregate of their respective holdings of Ordinary Shares constitutes 25% or more of the proportion of issued Ordinary Shares represented by converted A Shares and converted B Shares.

35.2 Subject to the provisions of Article 35.1, prior to Conversion, any A Shareholder shall be entitled to appoint one A Director for each part of such A Shareholder's holding of A Shares which constitutes the Relevant Percentage. For so long as the New Investor is the registered holder of A Shares any A Shares registered in the name of a transferee following any transfer of A Shares by the New Investor pursuant to Article 18 shall be deemed to form part of the New Investor's holding of A Shares for the purpose of calculating the Relevant Percentage. After Conversion, the New Investor shall be entitled from time to time to appoint any person to be a director of the Company for so long as its holding of Ordinary Shares constitutes 25% or more of the proportion of the issued Ordinary Shares represented by converted A Shares and converted B Shares.

35.3 Each A Director shall hold office subject to Article 36 and may at any time be removed from office by his appointors.

35.4 Save as hereinafter provided prior to Conversion the B Shareholders shall be entitled to appoint D Soskin as a B Director for so long as they hold B Shares. The right to appoint a B Director pursuant to this Article shall lapse (and Mr D Soskin shall forthwith resign as a director of the Company and

shall not be reappointed) in the event that the B Shareholders no longer comprise any one of the following:-

35.4.1 Mr D Soskin;

35.4.2 Mr N Fridge;

35.4.3 Any of the parties specified in Article 19.1.

35.5 Subject as hereinbefore provided the B Director shall hold office subject to Article 36 and may at any time be removed from office by the B Shareholders.

35.6 Save as hereinafter provided Talisman shall be entitled to appoint 2 Talisman Directors. The right to appoint 2 Talisman Directors pursuant to this Article shall lapse and the 2 Talisman Directors shall forthwith resign as directors of the Company upon the happening of any one of the following events:-

35.6.1 the Management Agreement is terminated in accordance with the provisions of Clause 7 thereof (other than sub-clause 7.5);

35.6.2 if Talisman does not exercise the call option on or prior to 31st March 1992 pursuant to the terms of the Option Agreement and the Board resolves that the provisions of paragraph 2.5 of the Schedule shall apply upon Conversion;

35.6.3 if Talisman Management Limited is in breach of any of the provisions of Clause 8 of the Management Agreement; or

35.6.4 if Mr R Grogan and/or Mr D Hoare is in breach of any of the provisions of the Deed of Covenant.

35.7 Each Talisman Director shall hold office subject to Article 36 and may at any time be removed from office by Talisman.

- 35.8 For so long as the Management Agreement remains in full force and effect the 2 Talisman Directors shall be the individuals who discharge the functions of non-executive chairman and chief executive officer pursuant to the terms of the Management Agreement.
- 35.9 After Conversion, Talisman shall be entitled from time to time to appoint any person to be a director of the Company for so long as its holding of Ordinary Shares constitutes 25% or more of the proportion of the issued Ordinary Shares represented by converted A Shares and converted B Shares.
- 35.10 In the event of the aggregate of the holdings of A Shares of the Existing Investors or the individual holdings of any other A Shareholder (or any part thereof) ceasing to constitute a Relevant Percentage the Existing Investors or the A Shareholder (as the case may be) shall take appropriate steps to remove their appointee from the office of director.
- 35.11 Any such appointment or removal shall be made in writing under the hands of the holders for the time being of the Shares in whom the power of appointment or removal is vested or their duly authorised agents and shall take effect on and from the date on which notice in writing thereof is lodged at the Office or delivered to the Secretary or to a meeting of the Board.

DISQUALIFICATION OF DIRECTORS

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

- 36.1 If by notice in writing to the Company he resigns the office of Director.
- 36.2 If he becomes bankrupt or enters into any arrangement with his creditors.

36.3 If he is disqualified from being a Director by an order made under the provisions of The Company Directors Disqualification Act, 1986.

36.4 If he becomes of unsound mind.

36.5 If he is removed from office by a resolution duly passed under Section 303 of the A.A.

36.6 If he is removed under Article 35.

Provided that removal by the Company shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company.

37. 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.

ALTERNATE DIRECTORS

38.1 An A Director may at any time (subject to the approval of a majority of the A Directors) appoint any other person (whether a Director or Member of the Company or not) to act as alternate Director at any meeting of the Board at which the A 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 A Director appointing him is not personally present, and generally to perform all the functions, rights, powers and duties of the A 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 an 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 appointer 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 notice in writing to the Company under the hand of the A Director making or revoking such appointment and such notice shall only take effect on being approved as above.

- 38.2 In the event that either of the Talisman Directors is temporarily incapacitated and cannot perform the functions specified in sub-clause 1.4 of the Management Agreement such Talisman Director shall be entitled to appoint the other Talisman Director to act as alternate Director at any Meeting of the Board held during the period of such temporary incapacity. In such event the provisions of Articles 38.1 shall apply mutatis mutandis to such appointment.

PROCEEDINGS OF DIRECTORS

39. 39.1 The quorum necessary for the transaction of business at any meeting of the Directors or of any committee shall comprise two A Directors (one of whom shall have been appointed by the New Investor pursuant to Article 35.2) or their alternates and one Talisman Director and Article 72 of Table A shall be amended accordingly.
- 39.2 The A Directors appointed by the New Investor shall each be entitled to cast two votes and (in the event of an equality of votes) together shall be entitled to a third casting vote which is exercisable subject to prior consultation with the A Director appointed by the Existing Investors.
- 39.3 If at any meeting of the Directors or of any committee any A Director (appointed by the New Investor pursuant to Article

35.2) is not present in person or represented by an alternate Director the votes of the A Director (appointed by the New Investor as aforesaid) present in person or represented by an alternate Director shall be pro tanto increased so that such A Director shall be entitled to cast the same aggregate number of votes as could be cast by such A Directors if they were all present.

40. The Chairman of the Board shall have no second or casting vote and Article 88 of Table A shall be modified accordingly.
41. At least 5 business days written notice together with an agenda detailing the business to be transacted and (where relevant) copies of any papers to be circulated at such meeting shall be given to each Director or his alternate director, including directors and alternate directors who may for the time being be absent from the United Kingdom and have given the Company their address outside the United Kingdom. PROVIDED THAT if all the Directors of the Company (or, in the case of urgent business) all the A Directors so agree in respect of any particular Board Meeting no notice or a shorter period of notice shall be required for such meeting.
42. Any director or member of a committee of directors may participate in a meeting of the directors or such committee by means of a conference telephone or any other communications equipment whereby all persons participating in the meeting can hear each other. Participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and any director so participating shall be entitled to vote and be counted in a quorum accordingly.

INDEMNITIES

43. 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 judgement is given in his favour or in which he is acquitted or in connection with any application under Section 727 of the Act in which relief is granted to him by the Court 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 Company may purchase and maintain insurance cover as necessary for any of the officers of the Company against any such liability.

D.A.H.

THE SCHEDULE
OPERATION OF RATCHET

1. Definition and Interpretation

1.1 In this Schedule:-

- "Achievement %" means the result of the following calculation:-
$$\left[\frac{\text{Cumulative Earnings} \times 100}{\text{Projected Cumulative Earnings}} \right] ;$$
- "Annual IRR" means the average annualised discount rate which when applied on a monthly basis to the items of Cash Flow and the value of the A Shares at the time of Conversion, or at the time of an Event of Interim Conversion, as relevant, would produce an aggregate net present value as at the Subscription Date equal to zero;
- "Anticipated Conversion Date" has the meaning ascribed thereto in paragraph 2.2;
- "Anticipated Interim Conversion Date" has the meaning ascribed thereto in paragraph 3.2;
- "B Preference Shares Redemption Monies" means the redemption monies paid to or the sale price received by the B Shareholders in respect of the B Preference Shares or B Loan Notes held by them;
- "Cash Equivalent (of consideration)" or "Cash Equivalent" means the sum certified by the Auditors acting as experts and not as arbitrators as being in their opinion the current value of the right to receive that consideration;

"Cash Flow"

means in the relevant month any of (a) the aggregate of the subscription monies paid or deemed to be paid on the Subscription Date in respect of the A Shares being, for the avoidance of doubt, in respect of the A Shares held by the New Investor and the Existing Investors the aggregate sum of £100,000 assumed to be paid on the Subscription Date expressed as a negative amount , (b) the amount of any dividends paid on the A Shares or the A Preference Shares from the date of their issue down to and including the Conversion Date or the Interim Conversion Date as relevant including any associated tax credits, (c) the aggregate of the subscription monies paid or deemed to be paid on the Subscription Date on A Preference Shares issued to the A Shareholders being, for the avoidance of doubt, in respect of the A Preference Shares issued to the New Investor and the Existing Investors the aggregate sum of £8,400,000 assumed to be paid on the Subscription Date expressed as a negative amount , (d) the redemption monies paid to or the sale price received by the A Preference Shareholders on the redemption or sale of the A Preference Shares, and (e) monies paid on a return of capital in respect of the A Shares or

A Preference Shares, provided always that, for the avoidance of doubt,

- (i) the value of the A Shares at the time of Conversion is not included within the meaning of "Cash Flow"; and
- (ii) in counting items such as redemption monies paid to or the sale price received by the A Preference Shareholders on the redemption or sale of the A Preference Shares, there shall be attributed to a particular Share only either a redemption value or a sale price and such a value or price shall be attributed only once to a particular Share;

"C Options"

means options over C Shares granted to those persons who may become C Shareholders;

"Clause 7.5 Termination"

means termination pursuant to Clause 7.5 of the agreement of even date herewith entitled 'Management Agreement' between and among Talisman International Holdings Limited, Talisman Management Limited, R Grogan and D A Hoare;

"Equivalent A Interim Shares"

means A interim convertible redeemable ordinary shares of 1p each in the capital of the Company which would be issued on an Event of Interim Conversion if the A Shares were to convert at that time;

"Equivalent B Interim Shares"

means B interim convertible redeemable ordinary shares of 1p each in the capital of the Company which would be issued on an Event of Interim Conversion if the B Shares were to convert at that time;

"Equivalent C Interim Shares"

means C interim convertible redeemable ordinary shares of 1p each in the capital of the Company which would be issued on an Event of Interim Conversion if the C Options were able to be exercised and the C Shares were to convert at that time;

"Equivalent D Interim Shares"

means D interim shares (if any) of a type to be agreed on issue of the D Shares (if any), which would be issued on an Event of Interim Conversion if the D Shares were to convert at that time;

"Equivalent Interim Ordinary Shares"

means all of Equivalent A Interim Shares, Equivalent B Interim Shares, Equivalent C Interim Shares, Equivalent D Interim Shares (if any), Equivalent Interim Refinancing Shares (if any) and Ordinary Shares, all as determined prior to Conversion;

"Equivalent Interim
Refinancing Shares"

means interim Refinancing Shares (if any) which would be issued on an Event of Interim Conversion if the Refinancing Shares were to convert at that time;

"Loan Noteholders"

means holders of Loan Notes;

"Management
Agreement Clause 7
Termination"

means termination pursuant to Clause 7 other than under Clause 7.5 of the agreement of even date entitled 'Management Agreement' between and among Talisman International Holdings Limited, Talisman Management Limited, R Grogan and D A Hoare;

"Market Capitalisation" means:-

- (i) in the case of Flotation the market value of the Ordinary Shares in issue (on the assumption that Conversion has occurred and that there have been exercised in full all rights of any person (whether or not yet exercisable) to call for the allotment and issue of Equity Shares) determined by reference to the new issue price of any Ordinary Shares to be issued on Flotation or, if no new issue, the price at which any such Shares are to be placed or offered for sale for the purposes of Flotation;
- (ii) in the case of a Sale:

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- (a) the aggregate cash consideration payable by the offeror under the General Offer plus, to the extent that consideration shall be so payable otherwise than in cash, or shall be so payable on deferred terms, the Cash Equivalent of that consideration plus, in each case, an amount equal to Cash Equivalent of all the Ordinary Shares which will arise on Conversion and after the exercise of all rights (whether or not yet exercisable) of any person to call for the allotment and issue of Ordinary Shares, but which are not the subject of the General Offer; or
- (b) where a Sale comprises an aggregation of Partial Sales, the Cash Equivalent of the aggregate consideration payable for the Equity Shares which have been, or are the subject of the Partial Sales, the result being uplifted by the relevant factor to arrive at the value which would apply if such Sale was, in fact, a Sale

comprising 100% of the Equity Shares;

- (iii) in the case of a Partial Sale, the Cash Equivalent of the consideration payable for the Equity Shares which are the subject of the Partial Sale;
- (iv) in the case of a voluntary liquidation, the Cash Equivalent of the assets available for distribution to the members;
- (v) in the case of Refinancing, the Cash Equivalent of the consideration payable for the Refinancing Shares to be issued on Refinancing and Partial Refinancing (if any), multiplied by the number of Ordinary Shares in issue immediately following Refinancing, (assuming Conversion has occurred) and divided by the number of Ordinary Shares into which the Refinancing Shares convert;
- (vi) in the case of Partial Refinancing, the consideration payable for the Refinancing Shares to be issued on a Partial Refinancing, multiplied by the number of Equivalent Interim Ordinary Shares which would exist immediately following a Partial Refinancing and divided by the

number of Equivalent Interim Refinancing Shares; and

- (vii) means in the case of a Partial Sale following a Partial Refinancing or a Partial Refinancing following a Partial Sale, the aggregate of consideration (or Cash Equivalent of the consideration) payable for the Equity Shares which are or have been the subject of the Partial Sale and the consideration paid or payable for the Refinancing Shares issued on the Partial Refinancing, all multiplied by the number of Ordinary Shares in issue immediately following Conversion and divided by the aggregate number of Ordinary Shares arising from Conversion of the Refinancing Shares issued or to be issued on the Partial Refinancing and the Equity Shares which are or have been the subject of the Partial Sale;

"month"

means calendar month;

"Relevant Figure"

means the figure set out in the following table according to the date on which the Event of Interim Conversion or the Event of Conversion occurs;

	1	2	3	4	5	6
£ million	8.6	9.46	10.406	11.447	12.591	13.850

where Year 1 ends on the first anniversary of the date of adoption of these Articles and so on;

"Relevant Market Capitalisation" or "RMC"

means:-

- (i) in the case of Flotation, Market Capitalisation less such proportion of Market Capitalisation as shall be equal to the proportion which the number of Ordinary Shares;
 - a) to be issued on Flotation; and
 - b) arising from conversion of the D Shares (if any) and Refinancing Shares (if any)in aggregate, will immediately following their issue bear to the number of Ordinary Shares then in issue (on the assumption that there shall then have been exercised in full all rights (whether or not then exercisable) of any person to call for the allotment and issue of Shares);
- (ii) in the case of a Sale or a voluntary liquidation, Market Capitalisation less the proportion of Market Capitalisation attributable to the Ordinary Shares arising from conversion of the D Shares, (if any) and the Refinancing Shares (if any);

- (iii) in the case of Refinancing, or Partial Refinancing, or in the case of a Partial Sale, preceding or following a Partial Refinancing, the proportion of Market Capitalisation attributable to conversion of A Shares, B Shares, C Shares and the Ordinary Shares in issue prior to Conversion or an Event of Interim Conversion;

"Subscription Date"	means the date of allotment of the A Shares;
"Total Interim Ordinary Shares" or "TIOS"	means the aggregate of the total number of Equivalent Interim Ordinary Shares which if issued would arise on an Event of Interim Conversion less the number of Equivalent Interim Ordinary Shares which would arise from conversion of the D Shares (if any) and the Refinancing Shares (if any) if conversion occurred, all calculated in accordance with paragraph 3;
"Total Number of Ordinary Shares" or "TNOS"	means the total number of Ordinary Shares arising on Conversion, excluding any Ordinary Shares resulting from conversion of the D Shares (if any) or the Refinancing Shares (if any) calculated in accordance with paragraph 2;
"Total Proceeds"	means the aggregate of the Relevant Market Capitalisation (or RMC) and £8,500,000.

- 1.2 For the purposes of this Schedule Cash Flow arises in the month in which it is paid or transferred.

- 1.3 For the avoidance of doubt where an item in this Schedule is stated to be a %, the value attributed to that item shall be a figure between 0 and 100; for example if C% is intended to be 5% it shall be represented by the number 5.
- 1.4 References in this Schedule to paragraphs are to paragraphs of this Schedule unless the context otherwise requires.
- 1.5 If, prior to operation of any event legislated for by this Schedule, the A Preference Shares and the B Preference Shares have been substituted by Loan Notes, where any reference is made in this Schedule to A Preference Shares or B Preference Shares, A Loan Notes (being Loan Notes held by A Shareholders) and B Loan Notes (being Loan Notes held by B Shareholders) shall be substituted therefore as relevant and for purposes of items such as Cash Flow interest paid to and received by the Loan Noteholders who are A Shareholders shall be included in the meaning of Cash Flow in place of dividends paid on the A Preference Shares. For the avoidance of doubt in these circumstances, the redemption monies of the A Preference Shares and subscription price of the A Loan Notes shall be ignored within the Cash Flow, provided that such A Loan Notes are issued immediately upon redemption of the A Preference Shares but the redemption of A Loan Notes shall be taken into account in the meaning of Cash Flow.

2. Conversion Calculations on Conversion prior to the 31st July 1997

- 2.1 Immediately upon the occurrence of an Event of Conversion, A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) shall be converted into Ordinary Shares and Deferred Shares in accordance with this Schedule;

2.2 The Board shall at least 14 days prior to the Event of Conversion:-

- (i) estimate the date of the Event of Conversion ("Anticipated Conversion Date");
- (ii) procure that the calculations provided for in this Schedule are made;
- (iii) procure that the Auditors certify their opinion of the Cash Equivalent (if required) and that the other calculations provided for are made in accordance with this Schedule insofar as necessary to enable the provisions of paragraph 7 to be given effect; and
- (iv) notify the Shareholders and the holders of C Options of the manner and results of such calculations (including a statement of the Annual IRR). The A Shareholders, Talisman and the Board shall use all reasonable endeavours to reach agreement, on all calculations other than that of the Cash Equivalent within seven days after the giving of such notification as to the accuracy of such calculations and in such period to record that agreement in writing signed by or on behalf of Talisman and the holders of at least three quarters of the A Shares and, if they fail to do so, to procure the determination thereof by the Auditors who shall issue a certificate accordingly.

- 2.3 (i) The RMC and Total Proceeds shall be calculated and the calculations set out in paragraphs 2.4 to 2.8 and, if necessary, paragraph 5 shall be made;
- (ii) Within the calculations set out in this Schedule the following symbols have the meanings set out below:

$$\sum_{j=0}^n$$

means the sum of the items which follow.
(in this case, for values of j between 0 and n);

$$**$$

means multiply by;

'NA'

means, on a Conversion, the number of Ordinary Shares arising on conversion of the A Shares, and on an Event of Interim Conversion, the number of Equivalent A Interim Shares;

'NB'

means, on a Conversion, the number of Ordinary Shares arising on conversion of the B Shares and, on an Event of Interim Conversion, the number of Equivalent Interim B Shares;

'NC'

means, on a Conversion, the number of Ordinary Shares arising on conversion of the C Shares and, on an Event of Interim Conversion, the number of Equivalent C Interim Shares;

'ND'

means, on a Conversion, the number of Ordinary Shares arising on conversion of the D Shares, if any, and, on an Event of Interim Conversion, the number of Equivalent D Interim Shares;

'NF'

means, on a Conversion, the number of Ordinary Shares arising on conversion of the Refinancing Shares, if any, and on an Event of Interim Conversion, the number of Equivalent Interim Refinancing Shares;

'T'

means the number of Ordinary Shares in issue immediately prior to Conversion for the avoidance of doubt such Ordinary Shares being held at the date of adoption of these Articles by Talisman; and

'B%'

means the % of Ordinary Shares (excluding those Ordinary Shares arising from conversion of the D Shares (if any) and the Refinancing Shares (if any)) to which the B Shareholders would be entitled on Conversion or the % of the Equivalent Interim Ordinary Shares (excluding any Equivalent D Interim Shares and any Equivalent Interim Refinancing Shares) which would be represented by the Equivalent B Interim Shares after an Event of Interim Conversion if the Equivalent Interim Ordinary Shares were, in fact, to be issued.

- 2.4 (i) Unless expressly stated otherwise for purposes of this Schedule B% shall be calculated as set out in this paragraph 2.4.

- (ii) If Total Proceeds are greater than or equal to the Relevant Figure, B% shall be calculated from the formula:-

$$B\% = \frac{100-C\%}{RMC} \cdot \left[\left(\frac{5}{100} \cdot \text{Total Proceeds} \right) - \text{Preference Shares Redemption Monies} \right]$$

where C% is the % (if any) of the Total Number of Ordinary Shares which is to be represented by the C Shares, according to the number of options issued and subject to a maximum figure for C% of 5. If the above calculation results in a value for B% in excess of (100 - C%), then a value of (100 - C%) will be attributed to B%;

- (iii) If Total Proceeds are less than the Relevant Figure, and/or if the B Shares have already been converted into Deferred Shares, B% shall equal zero.

- 2.5 (i) If at Conversion a Management Agreement Clause 7 Termination occurs or has occurred then the calculations set out in this paragraph 2.5 shall be made and no calculations as set out in paragraphs 2.6 to 2.8 shall be made.

- (ii) If at Conversion a Management Agreement Clause 7 Termination occurs or has occurred and B% is not equal to zero, then TNOS shall equal $\frac{B \cdot 100}{B\%}$ where B is the number of B Shares in issue immediately prior to Conversion.

NA shall equal $TNOS - NB - NC - T$

NB shall equal $\frac{B\%}{100} \cdot \left[TNOS - \frac{(T \cdot 100)}{(100 - C\%)} \right]$

NC shall equal $\frac{C\% \cdot (TNOS)}{100}$

ND shall equal $\frac{d \cdot TNOS}{(100 - f - d)}$

$$\text{NF shall equal } \frac{f \cdot \text{TNOS}}{(100 - f - d)}$$

where d is the % of the aggregate of the Total Number of Ordinary Shares and those Ordinary Shares (if any) arising from conversion of certain of the D Shares and the Refinancing Shares which it is intended shall be represented by Ordinary Shares arising from conversion of the D Shares; and

where f is the % of the aggregate of the Total Number of Ordinary Shares and those Ordinary Shares (if any) arising from conversion of certain of the D Shares and the Refinancing Shares which it is intended shall be represented by Ordinary Shares arising from conversion of the Refinancing Shares.

- (iii) If at Conversion a Management Agreement Clause 7 Termination occurs or has occurred and B% is equal to zero, then TNOS shall equal 10,000,000 and

$$\text{NA shall equal } (10,000,000 - \text{NC} - \text{T})$$

$$\text{NB shall equal zero}$$

$$\text{NC shall equal } \frac{C\%}{100} \cdot (10,000,000)$$

$$\text{ND shall equal } \frac{d \cdot 10,000,000}{(100 - f - d)}$$

$$\text{NF shall equal } \frac{f \cdot 10,000,000}{(100 - f - d)}$$

where d and f are as defined in 2.5(ii) above.

- 2.6 FV1, FV2, FV3 and FV4 shall be calculated from the formulae:

$$\text{FV1} + \sum_{j=0}^n [\text{CF}_j \cdot 1.0086588^{(n-j)}] = 0$$

$$\text{FV2} + \sum_{j=0}^n [\text{CF}_j \cdot 1.0187693^{(n-j)}] = 0$$

$$\text{FV3} + \sum_{j=0}^n [\text{CF}_j \cdot 1.0284361^{(n-j)}] = 0$$

$$FV4 + \sum_{j=0}^n [CF_j * 1.0320389^{(n-j)}] = 0$$

where:

'n' is the number of months between the month in which the Subscription Date falls and the month in which Conversion falls, counting the month in which the Subscription Date falls as month 0 and the month in which Conversion falls as month n;

'j' is the arithmetical number attributable to a month, the number 0 being attributed to the month in which the Subscription Date falls, the number 1 being attributed to the following month and so forth until j=n; and

'CFj' is the amount of Cash Flow in month j to and from A Shareholders in their capacity both as A Shareholders and A Preference Shareholders, Cash Flow to such Shareholders being treated as positive and Cash Flow from such Shareholders being treated as negative and such Cash Flow being measured on all the A Shares and the A Preference Shares held by A Shareholders.

$$2.7 \quad \text{Let} \quad T1 = \frac{FV1 * 100}{(100 - B\% - C\%)}$$

$$T2 = \frac{FV2 * 100}{(90.25 - B\% - C\%)}$$

$$T3 = \frac{FV3 * 100}{(80.5 - B\% - C\%)}$$

$$\text{and} \quad T4 = \frac{FV4 * 100}{(70.75 - B\% - C\%)}$$

being the cumulative tranches of RMC necessary to achieve Annual IRR's of

10.9% for T1

25% for T2

40% for T3 and

46% for T4

In the event that any of:

$(100 - B\% - C\%)$ or

$(90.25 - B\% - C\%)$ or

$(80.5 - B\% - C\%)$ or

$(70.75 - B\% - C\%)$ are negative or equal to zero,

then, none of T1, T2, T3 and T4 will be calculated and TNOS shall equal $\frac{B*100}{B\%}$ where B is the number of B Shares in issue

immediately prior to Conversion

NA shall equal $\left[\frac{100 - B\% - C\%}{100} \right] * \left[\text{TNOS} - \frac{(T*100)}{(100 - C\%)} \right]$

NB shall equal $\frac{B\%}{100} * \left[\text{TNOS} - \frac{(T*100)}{(100 - C\%)} \right]$

NC shall equal $\frac{C\%*(\text{TNOS})}{100}$

ND shall equal $\frac{d*\text{TNOS}}{(100 - f - d)}$

NF shall equal $\frac{f*\text{TNOS}}{(100 - f - d)}$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

In these circumstances no calculations set out in paragraph 2.8 shall be made.

- 2.8 (i) If RMC is less than T1 and if B% is not equal to zero TNOS shall equal $\frac{B*100}{B\%}$ where B% shall be as calculated in paragraph 2.4 (ii) and B shall equal the number of B Shares in issue immediately prior to Conversion.
- If RMC is less than T1 and if B% is equal to zero, TNOS shall equal 10,000,000

For all values of B%, if RMC is less than T1

$$NA \text{ shall equal } \frac{(100 - B\% - C\%) * \left[TNOS - \frac{(T * 100)}{(100 - C\%)} \right]}{100}$$

$$NB \text{ shall equal } \frac{B\%}{100} * \left[TNOS - \frac{(T * 100)}{(100 - C\%)} \right]$$

$$NC \text{ shall equal } \frac{C\% * (TNOS)}{100}$$

$$ND \text{ shall equal } \frac{d * TNOS}{(100 - f - d)}$$

$$NF \text{ shall equal } \frac{f * TNOS}{(100 - f - d)}$$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

- (ii) If RMC is greater than or equal to T1 but less than T2,

$$TNOS \text{ shall equal } \frac{T * 100}{T\%}$$

where T% shall equal

$$\frac{9.75}{100} * (100 - C\%) * \left[\frac{RMC - T1}{T2 - T1} \right]$$

$$NA \text{ shall equal } TNOS - NB - NC - T$$

$$NB \text{ shall equal } B\% * \frac{TNOS}{100}$$

$$NC \text{ shall equal } C\% * \frac{TNOS}{100}$$

$$ND \text{ shall equal } \frac{d * TNOS}{(100 - f - d)}$$

$$NF \text{ shall equal } \frac{f * TNOS}{(100 - f - d)}$$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

- (iii) If RMC is greater than or equal to T2 but less than T3,

$$TNOS \text{ shall equal } \frac{T * 100}{T\%}$$

where T% shall equal

$$\frac{9.75}{100} * (100 - C\%) * \left[1 + \frac{RMC - T2}{T3 - T2} \right]$$

$$NA \text{ shall equal } TNOS - NB - NC - T$$

$$NB \text{ shall equal } B\% * \frac{TNOS}{100}$$

$$NC \text{ shall equal } C\% * \frac{TNOS}{100}$$

$$ND \text{ shall equal } \frac{d * TNOS}{(100 - f - d)}$$

$$NF \text{ shall equal } \frac{f * TNOS}{(100 - f - d)}$$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

- (iv) If RMC is greater than or equal to T3, but less than T4

$$TNOS \text{ shall equal } \frac{T * 100}{T\%}$$

where T% shall equal

$$\frac{9.75}{100} * (100 - C\%) * \left[2 + \frac{RMC - T3}{T4 - T3} \right]$$

$$NA \text{ shall equal } TNOS - NB - NC - T$$

$$NB \text{ shall equal } B\% * \frac{TNOS}{100}$$

$$NC \text{ shall equal } C\% * \frac{TNOS}{100}$$

$$ND \text{ shall equal } \frac{d * TNOS}{(100 - f - d)}$$

$$NF \text{ shall equal } \frac{f * TNOS}{(100 - f - d)}$$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

- (v) If RMC is greater than or equal to T4,

$$TNOS \text{ shall equal } \frac{T * 100}{T\%}$$

where T% shall equal

$$\frac{29.25}{100} * (100 - C\%)$$

$$NA \text{ shall equal } TNOS - NB - NC - T$$

$$NB \text{ shall equal } B\% * \frac{TNOS}{100}$$

$$NC \text{ shall equal } C\% * \frac{TNOS}{100}$$

$$ND \text{ shall equal } \frac{d * TNOS}{(100 - f - d)}$$

NF shall equal $\frac{f \cdot \text{TNOS}}{(100 - f - d)}$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

3. Calculations to be made on an Event of Interim Conversion

- 3.1 Immediately prior to the occurrence of an Event of Interim Conversion the calculations set out and referred to in this section 3 of this Schedule will be made.
- 3.2 Paragraph 2.2 shall apply substituting Event of Interim Conversion, Anticipated Interim Conversion Date and Equivalent Interim Ordinary Shares in place of Event of Conversion, Anticipated Conversion Date and Ordinary Shares.
- 3.3 The calculations set out in paragraphs 2.3 to 2.8 and, if relevant, paragraph 5 will be made on an Event of Interim Conversion with the following amendments
 - (a) for the avoidance of doubt, Cash Flow will be calculated on all the A Shares and the A Preference Shares held by A Shareholders regardless of the % which is the subject of the Event of Interim Conversion;
 - (b) "TIOS" shall be substituted for "TNOS";
 - (c) "Event of Interim Conversion" shall be substituted for "Conversion"
 - (d) The results for T% calculated in paragraph 2.8 as amended by paragraph 5, if necessary, will be multiplied by the fraction or figure in the column below headed '% of Equity' opposite the appropriate Achievement % figure in the left-hand column.

	<u>Achievement%</u>	<u>% of Equity</u>
Greater than or equal to	125%	$\frac{100}{100}$
	100%	$\frac{75}{100}$
	75%	$\frac{50}{100}$
	50%	$\frac{25}{100}$
Less than	50%	0

For an Achievement % between or outside levels stated above the % of Equity figure will be calculated by prorating between the stated levels except that the % of Equity figure shall not exceed $\frac{100}{100}$ and shall not be negative.

- 3.4 If an Event of Interim Conversion is not followed by an Event of Conversion before 31st July 1997 Conversion will take place in accordance with paragraph 7 with values for TNOS, NA, NB, NC, ND and NF and associated calculations being as computed in the last Event of Interim Conversion for TIOS, NA, NB, NC, ND and NF.

4. Calculations to be made if no Event of Interim Conversion or no Event of Conversion occurs by 31st July 1997

- 4.1 In the event that no Event of Interim Conversion or Event of Conversion has occurred by 31st July 1997 Conversion will take place in accordance with paragraph 7 and TNOS, NA, NB, NC, ND and NF will be as set out in 4.2 below.

- 4.2 (i) TNOS shall equal $\frac{T*100}{T\%}$

where T% shall equal

$$\frac{x}{100} * (100 - C\%)$$

where x shall be the figure for % of Equity as set out in the table in 4.3 following.

$$B\% \text{ shall be equal to } (100 - C\%) * \frac{5}{100}$$

unless the B Shares have already been converted into Deferred Shares in which case B% shall equal zero.

- (ii) In the event x is 0, then
TNOS shall equal $\frac{B*100}{B\%}$

where B shall equal the number of B Shares in issue immediately prior to Conversion and B% shall be as calculated in 4.2(i) above unless the B Shares have already been converted into Deferred Shares in which case TNOS shall equal 10,000,000.

- (iii) In both circumstances set out in 4.2(i) and 4.2(ii) above,
NA shall equal TNOS - NB - NC - T
NB shall equal $\frac{B\%*TNOS}{100}$ if x is not equal to zero
and $\frac{B\%}{100} * \left[TNOS - \frac{(T*100)}{(100 - C\%)} \right]$ if x is equal to zero
NC shall equal $C\% * \frac{TNOS}{100}$

$$ND \text{ shall equal } \frac{d*TNOS}{(100 - f - d)}$$

$$NF \text{ shall equal } \frac{f*TNOS}{(100 - f - d)}$$

where d and f are as defined in paragraph 2.5(ii) of this Schedule.

- 4.3 x in 4.2 above shall be the figure for % of Equity in the following table (either as stated or as extrapolated) opposite the appropriate Achievement % figure in the left hand column.

	<u>Achievement%</u>	<u>% of Equity</u>
Greater than or equal to	150%	29.25
	125%	19.4
	100%	14.55
	75%	9.7
	50%	4.85
Less than	25%	0

For an Achievement % between or outside levels stated above, the % of Equity figure will be calculated by pro-rating between the stated levels except that the % of Equity figure shall not exceed 29.25 and shall not be negative.

5. **Clause 7.5 Termination**

If prior to any event envisaged in this Schedule a Clause 7.5 Termination occurs or has occurred then any T% calculated pursuant to (a) paragraph 2.8(ii), 2.8(iii), 2.8(iv), 2.8(v), or (b) the same paragraphs 2.8(ii), 2.8(iii), 2.8(iv), 2.8(v) when applied under paragraphs 3.3 or 3.4; or (c) paragraph 4.2; will be reduced by multiplying the T% so calculated by the factor set out in the column below headed % according to the date to which the Cumulative Earnings, which cause the Clause 7.5 Termination, have been measured:-

Up to and including	%
30.4.93	$\frac{25}{100}$
30.4.94	$\frac{50}{100}$
30.4.95	$\frac{67}{100}$
30.4.96	$\frac{75}{100}$

6. **Change in Circumstances**

If after any such certificate as referred to in paragraphs 2.2 or 3.2 has been made there shall be any change in the RMC or the Total Proceeds or any delay in the occurrence of the Event of Interim Conversion or Event of Conversion shall arise such that is expected to occur in a month later than the month next after that in which the Anticipated Conversion Date or the Anticipated Interim Conversion Date falls, the procedures set out in the preceding provisions of this Schedule shall be repeated (as often as required) and FV1, FV2, FV3, FV4, and TNOS and associated calculations recomputed accordingly.

7. **Procedures on an Event of Conversion or an Event of Interim Conversion**

7.1 (i) Immediately prior to the Event of Conversion the A Preference Shares and B Preference Shares shall be redeemed unless the Conversion Date is 31st July 1997, in which case, immediately prior to 31st July 1997, the B Preference Shares shall convert into Deferred Shares. Immediately prior to the Event of Conversion or on 31st July 1997 the A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) shall convert in accordance with the provisions of this paragraph 7 unless the B Shares have already been converted into Deferred Shares in which case the B Preference Shares shall not be redeemed and the B Shares or the Deferred Shares into which they have been converted shall not convert.

(ii) For the avoidance of doubt on an Event of Interim Conversion, no conversion of A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any)

shall occur (unless the B Shares are to convert into Deferred Shares on a one for one basis). The notices referred to in paragraph 8.1 shall be produced and delivered to advise the Shareholders, and the holders of C Options of the entitlement to Equivalent Interim Ordinary Shares which they each would have if conversion into such shares was to occur.

- 7.2 On an Event of Conversion, the number of A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) equal to NA, NB, NC, ND and NF in the calculations set out in paragraphs 2.5, 2.7, 2.8, 3.4 or 4.1 as appropriate, subject to any amendment as determined by paragraph 5, shall convert on a one for one basis into Ordinary Shares and the remainder of the A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) shall convert, on a one for one basis, into Deferred Shares.

8. Miscellaneous

- 8.1 Forthwith upon Conversion or an Event of Interim Conversion the Company shall give written notice, in the case of Conversion, to the Shareholders of the number of Ordinary Shares and the number of Deferred Shares of which they are individually the holders and, in the case of an Event of Interim Conversion, to the Shareholders and the holders of the C Options of the Equivalent Interim Ordinary Shares to which they would be entitled if such shares were to be issued.
- 8.2 In the case of Conversion only, forthwith upon receipt of such notices, the Shareholders shall deliver to the Company at the Office the share certificates in respect of A Shares, B Shares, C Shares, D Shares (if any) and Refinancing Shares (if any) of

which they were, prior to Conversion the registered holders, and the Company shall, on receipt of such certificates, deliver to the relevant Shareholders new certificates in respect of the Ordinary Shares and the Deferred Shares to which they are entitled arising from Conversion.

8.3 Conversion of the A Shares, B Shares, C Shares, D Shares and Refinancing Shares shall be effected pro rata according to the holdings of each of the Shareholders of Equity Shares of the relevant class provided that the Board shall be entitled to deal as it thinks fit with fractional entitlements to Ordinary Shares, and Deferred Shares arising on Conversion.

8.4 Subject to any special rights which may be attached to any other class of Shares, any profits which the Company may determine to distribute after Conversion and any capital or assets which may be distributed, on a winding up or otherwise, by way of return of capital after Conversion shall be distributed amongst the holders of Ordinary Shares pro rata according to the amount paid up or credited as paid up thereon (excluding any premium over their nominal value).

9. Ordinary Shares

The Ordinary Shares shall constitute one class of shares and shall rank *pari passu* in all respects and accordingly the rights and restrictions contained in Articles 6-10 (inclusive) and Articles 12.1-12.5 (inclusive) shall not apply after Conversion. The Ordinary Shares shall, subject to Article 23 be freely transferable and Articles 17-21 (inclusive) shall accordingly not apply after Conversion.