

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

ASQUITH COURT HOLDINGS LIMITED

Registered Number 2512315

Incorporated 15th June 1990

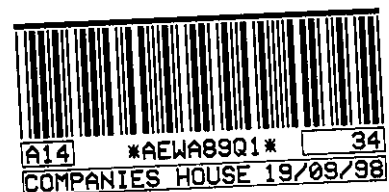
**Adopted by Special Resolution
passed 7th January 1994**

**Amended by Special Resolutions passed 2nd April 1996 and 11th
September 1998**

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**ARTICLES OF ASSOCIATION
OF
ASQUITH COURT HOLDINGS LIMITED ("THE COMPANY")**

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September 1998)**

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 5 to the Investors Agreement;

"ACSL" means Asquith Court Schools 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 31.1 or 31.2;

"A Share" means the convertible A ordinary share of £1,388.89 in the capital of the Company;

"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

votes which could be cast on a poll at a general meeting of such company;

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

"Auditors" means the auditors of the Company from time to time;

"Bad Leaver" for the purposes of Article 17.12, Peter Aughterson shall be a Bad Leaver if he is dismissed by the Company pursuant to Clause 12.1.3, 12.1.4 or 12.1.5 of the Service Contract;

"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;

"Cash Equivalent" means, in relation to any deferred consideration, the sum certified by the Auditors as being in their opinion the value as at the date of the Exit Event of the right to receive that consideration and, in relation to any non-cash consideration or Distribution in specie, the sum certified by the Auditors as being in their opinion the value as at the date of the Exit Event of that non-cash consideration or Distribution in specie;

"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 the A Share into N Ordinary Shares in accordance with the provisions of Article 7.5.1;

"Death" means the death of Peter Aughterson whilst he is an employee of the Company;

"Deferred Shares" means the redeemable convertible deferred shares of 1p each in the capital of the Company;

"Distribution" means any distribution of the Company of its assets, profits, reserves or capital to any of its shareholders in their capacity as shareholders;

"Existing Investors" means Allen & Company Incorporated, Apex Partners & Co. Ventures Ltd., Candover Investments plc, Candover Trustees Limited and Electra Investment Trust plc;

"Exit Event" means the first to occur of Flotation, Sale Liquidation or Death;

"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 21 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 17.14 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;
- "Investors Agreement" means the agreement dated of even date with the date of adoption of these Articles between the Existing Investors, the Company and others;
- "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;
- "Market Capitalisation" means the number of pounds sterling equal to:-
- (i) in the case of Flotation the market value of the Ordinary Shares in issue determined by reference to the new issue price of any Ordinary Shares to be issued on Flotation or, if there is no new issue, the price at which any such Ordinary Shares are to be placed or offered for sale for the purposes of Flotation;
 - (ii) in the case of Sale the cash consideration payable by the Offeror under the General Offer for

6.

the Ordinary Shares and for any Ordinary Shares arising on the exercise of all rights (whether or not yet exercisable) of any person to call for the allotment and issue of Ordinary Shares (plus, to the extent that any consideration shall be payable otherwise than in cash or shall be payable on deferred terms the Cash Equivalent of that consideration) or, if the Offeror acquires less than 100% of the Shares in issue, the consideration which would have been paid (including the Cash Equivalent of any non-cash or deferred consideration) if all the Ordinary Shares in issue (and any Ordinary Shares arising on the exercise of all rights (whether or not yet exercisable) of any person to call for the allotment and issue of Ordinary Shares) were to be acquired on the same terms as the Ordinary Shares actually acquired;

(iii) in the case of Liquidation, the aggregate amount (including the Cash Equivalent of any non-cash

consideration) which the shareholders would receive in respect of the Liquidation of the Company; and

- (iv) in the case of Death, the value of the Company determined in accordance with the provisions of Article 8;

"Member"	means a member of the Company;
"the Office"	means the registered office of the Company for the time being;
"Option Agreement"	means the option agreement dated of even date with the date of adoption of these Articles executed by the Company granting options in favour of Peter Aughterson as the same may be amended from time to time with the consent required by Article 6.4.10;
"Ordinary Shares"	means the non-redeemable ordinary shares of 1p each in the capital of the Company;
"Ordinary Shareholder"	means each holder of Ordinary Shares from time to time in his capacity as a holder of Ordinary Shares and not in his capacity as the holder of any other class of share;
"Peter Aughterson"	means Peter William Aughterson of Farley Hill House, Church Lane, Farley Hill, Berkshire RG7 1UP, Chief Executive of the Company at the date of adoption of these Articles;

"Register"	means the register of members of the Company;
"Sale"	means the transfer of Ordinary Shares to a bona fide purchaser (or to one or more bona fide purchasers as part of a single transaction) which results in such person (or persons) having 75% or more of the Ordinary Shares then in issue;
"Secretary"	includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;
"Service Contract"	means the contract of employment dated of even date with the date of adoption of these Articles between the Company and Peter Aughterson as the same may be amended from time to time;
"Shares"	means shares in the capital of the Company;
"Shareholder"	means a person who holds Shares;
"the Stock Exchange"	means The London Stock Exchange Limited;
"Subsidiaries"	means ACSL and other subsidiary companies and subsidiary undertakings from time to time of the Company or ACSL;
"Table A"	means Table A set out in the Companies (Tables A to F) Regulations 1985 as amended;
"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 "The Listing Rules" 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 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 118 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. 5.1 The share capital of the Company at the date of adoption of these Articles is £205,015 divided into 20,362,611 Ordinary Shares and one A Share.
- 5.2 All certificates for Ordinary Shares and the A Share shall bear distinguishing numbers and Regulation 6 of Table A shall be qualified accordingly.

RIGHTS ATTACHING TO THE ORDINARY SHARES

6. The rights and restrictions attaching to the Ordinary Shares are as follows:-
- 6.1 **Income**
- Subject to Article 7.7 any profits which the Company may lawfully and in accordance with the terms of Article 6.4 determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares pro rata in relation to the nominal amount of such Shares held by them.
- 6.2 **Capital**
- The capital and assets of the Company on a winding up or other return of capital shall be applied among the Ordinary Shares pro rata in relation to the nominal amount of each such Ordinary Share.
- 6.3 **Voting**
- On a show of hands each Ordinary Shareholder shall have one vote and on a poll every Ordinary Shareholder present in person or by proxy shall have one vote for each Ordinary Share of which the Ordinary Shareholder is the registered holder.

6.4 Rights attaching to the Ordinary Shares

In addition to any other approval required by law or these Articles the following shall require the consent in writing of the holders of not less than half in nominal value of the Ordinary Shares:-

- 6.4.1 any increase in the aggregate of the borrowings of the Company and the Subsidiaries (excluding the subordinated unsecured loan stock of ACSL) beyond £6 million;
- 6.4.2 any change in the nature of the business carried on by the Company or any of the Subsidiaries;
- 6.4.3 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;
- 6.4.4 the acquisition of any business or asset by the Company or any of the Subsidiaries at a price in excess of £2.5 million;
- 6.4.5 any alteration to the Memorandum or Articles of Association of the Company or any of the Subsidiaries;
- 6.4.6 the modification, variation or abrogation of the rights attaching to any Shares or the shares of any of the Subsidiaries;
- 6.4.7 the issue of any 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;

- 6.4.8 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 6.4.12;
- 6.4.9 the proposing of any resolution that the Company or any of the Subsidiaries be wound up;
- 6.4.10 any alterations to the terms of or waiver of any of the provisions of the Option Agreement;
- 6.4.11 the payment of any dividend or the making of any other distribution by the Company;
- 6.4.12 the creation of any employees' share scheme.

RIGHTS ATTACHING TO THE A SHARE

7. The rights and restrictions attaching to the A Share are as follows:-

7.1 Income

In respect of any Dividend or any part of any Dividend which, when aggregated with all other Dividends since 7th January 1994 exceeds £1,000,000 the A Share shall rank *pari passu* with the Ordinary Shares as regards the distribution of any profit which the Company may determine to distribute in respect of any financial year. For the avoidance of doubt:-

- 7.1.1 any such Dividend shall be paid in proportion to the nominal amount of each relevant share

notwithstanding the different nominal amounts on the A Share and the Ordinary Shares and deeming all such shares to be fully paid up; and

7.1.2 no distribution of profits shall be paid in respect of the A Share until the aggregate Dividends referred to in 7.1 above exceed £1,000,000.

7.2 Capital

The A Share shall rank *pari passu* with the Ordinary Shares as regards the distribution of the capital and assets of the Company on a winding-up or other return of capital, but only up to an amount equal to the nominal value of such share and shall not rank for any further distribution of capital in excess of such amount.

7.3 Voting

The A Share shall carry no entitlement to vote.

7.4 Class Rights

In addition to any other approval required by law or these Articles the Company shall not amend, vary, alter or disapply the provisions of this Article 7 without the prior written consent of Mr. Aughterson.

7.5 Conversion

Upon the Exit Event the A Share shall convert into N Ordinary Shares and (138,889 - N) Deferred Shares where:-

$$N = \left(\frac{\text{Market Capitalisation} - 8,600,000}{12,900,000} \right) \times 138,889$$

provided always that N shall be rounded down to the nearest whole number and shall not exceed 138,889 and, if N is a negative number, N shall be deemed to be zero.

7.6 The A Share shall convert into 138,889 Deferred Shares upon the happening of any of the following events and/or in the following circumstances:-

7.6.1 on the date upon which Mr Aughterson is deemed to have served a Transfer Notice under Article 17.12 or would be so deemed if he held any Ordinary Shares; and

7.6.2 on the date upon which Mr Aughterson voluntarily resigns as an employee or director of the Company other than at the request of the Board.

7.7 Special Dividend

Notwithstanding the provisions under Article 7.1 but subject to Article 6.4.11 above the Company may declare in each financial year a special dividend to be paid to the registered holder of the A Share.

PROVISIONS ON DEATH

8. 8.1 On the occurrence of an Exit Event as a result of Death, the Company shall, as soon as practicable, attempt to agree the Market Capitalisation with the personal representatives of Mr Aughterson ("the Personal Representatives").

8.2 If the Personal Representatives and the Company are unable to agree the Market Capitalisation within 2 months of Death, the Company shall instruct the Auditors to certify a value for the entire share capital of the Company on the basis of a trade sale between a willing buyer and a willing seller and, in making such certification the Auditors shall take into account any *bona fide* third party offer for the entire share capital of the Company of which he is aware.

- 8.3 Forthwith upon the certification of the Auditors of the Market Capitalisation, the Company shall notify the Personal Representatives of the number of N Ordinary Shares in respect of which Conversion has taken place.

RIGHTS ATTACHING TO THE DEFERRED SHARE

9. The rights and restrictions attaching to the Deferred Shares are as follows:-

9.1 Income

The Deferred Shares shall carry no rights to participate in any profit which the Company may determine to distribute.

9.2 Capital

The Deferred Shares shall entitle the holder to receive the amount paid up or credited as paid (including any premium, if any) upon the distribution of the capital and assets of the Company on a winding up or other return of capital.

9.3 Voting

The Deferred Shares shall carry no right to vote.

9.4 Purchase

The Special Resolution passed on 2nd April 1996 amending these Articles and thereby authorising the conversion of the A Share into Deferred Shares pursuant to Article 7.5, shall be deemed to confer irrevocable authority on the Company at any time after such conversion to appoint any person to execute on behalf of the holders of the Deferred Shares remaining in issue (if any) a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or acquire the same (in accordance

with the provisions of the Act) without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or the cancellation and/or purchase to retain the certificate (if any) for such shares. The Company may, at its option at any time after such conversion, redeem all or any of the Deferred Shares then in issue (if any), at a price not exceeding 1 penny for all the Deferred Shares redeemed, at any time upon giving the registered holder of such share or shares not less than twenty-eight (28) days' previous notice in writing of its intention so to do, fixing a time and place for its redemption. Upon the redemption by the Company of any Deferred Shares the Directors may pursuant to the authority given by the adoption of this Article convert and sub-divide the authorised share capital created as a consequence of such redemption into shares of any class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (as nearly as may be) as the shares of such class then in issue.

9.5 Re-classification

Upon the redemption or purchase by the Company or cancellation of any Deferred Shares, the Directors may, pursuant to the authority given by the adoption of this Article, convert and sub-divide the authorised share capital created as a consequence of such redemption or purchase by the Company or cancellation into shares of any class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (as nearly as may be) as the shares of such class then in issue.

ISSUE OF NEW SHARES

10. 10.1 Subject to the Act and these Articles, any Shares maybe issued on terms that they are, or at the option of the Company are liable, to be redeemed.
- 10.2 Subject to the Act and these Articles, the Company may purchase Shares.
- 10.3 Save as provided in Article 11.1 or as authorised pursuant to Articles 11.2 and 11.3, the Board shall not allot, grant options over or issue any unissued share.
11. 11.1 The Directors may (subject to the provision of the Act and the Articles) issue any unissued Shares pursuant to and on the terms set out in the Option Agreement.
- 11.2 The Company may at any time and from time to time pass an ordinary resolution authorising the Board to allot relevant securities (as defined for the purposes of Section 80 of the Act) on such terms as the Company shall by ordinary resolution specify.
- 11.3 Subject to these Articles (and in particular Article 11.1) the pre-emption provisions of sub-section (1) of Section 89 and sub-sections (1), (2), (6) of Section 90 of the Act shall, save as otherwise resolved by special resolution of the Company and save as required to enable the Company to comply with its obligations under Clause 9 of the Option Agreement, apply to any allotment of the Company's equity securities to which such Sections apply in accordance with the terms of those Sections, provided that the holders of Shares who accept any shares pursuant to any such rights of pre-emption shall be entitled to indicate that they would accept shares that have not been

accepted by other Shareholders ("Excess Shares") on the same terms as originally offered to all Shareholders and any shares not so accepted shall be allotted to the Shareholders who have indicated that they would accept Excess Shares; such Excess Shares shall be allotted in the number in which they have been accepted by Shareholders or, if the number of Excess Shares is not sufficient for all such Shareholders to be allotted all the Excess Shares they have indicated they would accept, then the Excess Shares shall be allotted, as nearly as practicable, in the proportion that the number of Excess Shares each Shareholder indicated he would accept bears to the total number of shares accepted by such Shareholder.

- 11.4 The authorities contained in Articles 11.1 and 11.3 are in substitution for the power conferred on the Board under any resolution made or passed prior to the written resolution adopting these Articles to make allotments of equity securities as if Section 89(1) of the Act did not apply to any such allotment.

VARIATION OF CLASS RIGHTS

12. 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

13. 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

14. 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 15 to 18 (inclusive) and shall register any transfer of any Share made in accordance with such Articles subject only to Article 19.
15. 15.1 Shares (or any interest therein) may be transferred by Shareholder to a company which is its holding company or to any subsidiary of its holding company or to any subsidiary of such Shareholder or to an Affiliate or to any investment fund managed by such Shareholder provided that if any such transferee ceases to be in the same group of companies as such Shareholder or ceases to be an Affiliate or ceases to be managed by such Shareholder then such transferee shall be obliged to

transfer the Shares together with any other Shares held by it back to the original 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 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 Shareholder to be entered in the Register as the holder of the Shares. For the purposes of this Article 15.1, "Original Shareholder" means the beneficial owner of the relevant 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 15.1).

15.2 A Shareholder may at any time transfer all or any Shares (or any interest therein):-

15.2.1 to a privileged relation (as hereinafter defined) provided that in the case of a spouse to whom it is proposed to transfer Shares such spouse must, before such transfer, give a written undertaking to the Company that if such spouse ceases to cohabit with the transferring Shareholder then such spouse shall transfer the 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

- 15.2.2 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 Shares together with any other Shares held by them either to trustees of a family trust of such Shareholder or a privileged relation of such Shareholder or to such Shareholder (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 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 Shares.

- 15.2.3 For the purposes of this Article:-

15.2.3.1 "privileged relation" means the spouse and every child, stepchild or adopted child of

Shareholder in relation to whom Shares are held;

15.2.3.2 "family trusts" means, in relation to any Shareholder, trusts the beneficiaries or potential beneficiaries whereunder are exclusively the Shareholder (in relation to whom Shares are held) and/or one or more privileged relations of such Shareholder.

15.3 Shares (or any interest therein) may be transferred by Allen & Co.:-

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

15.3.2 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.

15.4 Save as permitted by Articles 15.1, 15.2 and 15.3 if any Shareholder wishes to sell any of the Shares the provisions of the following Articles relating to transfer of Shares shall apply.

OTHER TRANSFERS

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

- 16.1 "Proposing Transferor" shall mean a Member proposing to dispose of Shares or any interest therein;
- 16.2 "Transfer Notice" shall mean a written notice served by a Member on the Company or deemed to be served on the Company in accordance with the provisions of Article 17.12 indicating such Member's desire to dispose of Shares or any interest therein;
- 16.3 "the Prescribed Price" shall mean the price per Share specified (or deemed to be specified in accordance with Article 17.12) in the Transfer Notice or (if no price shall be so specified or deemed to be specified) the price per Share certified by the Auditors pursuant to Article 17.3;
- 16.4 "Purchaser" shall mean a permitted transferee willing to purchase Shares comprised in a Transfer Notice;
- 16.5 "the Priority Rights" shall mean the rights of Ordinary Shareholders to purchase Shares comprised in a Transfer Notice as set out in Article 17.5.
- 17. The right to transfer Shares or any interest therein shall be subject to the following restrictions, namely:-
 - 17.1 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.

- 17.2 Forthwith upon receipt of any Transfer Notice which does not specify any price per Share or in which a price per Share is not deemed to be specified in accordance with Article 17.12 or otherwise upon a Transfer Notice being deemed to have been given, the Company shall request the Auditors (acting as experts and not as arbitrators) to certify the Prescribed Price.
- 17.3 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:-
- 17.3.1 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;
 - 17.3.2 by dividing the sum attributable to the class of Shares being transferred by the number of such Shares;
 - 17.3.3 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.
- 17.4 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 17.

17.5 All Shares included in any Transfer Notice shall, within 14 days following receipt of the Transfer Notice or (in a case falling within Article 17.3) of the final calculation of the Prescribed Price, be offered by the Company to each holder of Ordinary Shares (other than the Proposing Transferor) in proportion, as nearly as may be, to their holding of Shares of that class for purchase at the Prescribed Price. All such offers of Shares shall be made by notice in writing and every such offer shall state 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.

17.6 It is hereby declared for the avoidance of doubt that:-

17.6.1 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;

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

17.6.3 in the event that any Shareholder 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 Shareholders 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 shall have declined to accept any more of them.

- 17.7 If the Company shall after making offers in accordance with the Priority Rights within the periods stated 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 stated for acceptance give notice of that fact to the Proposing Transferor who (save where such Transfer Notice has been served or deemed to be served pursuant to Article 17.12) 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").
- 17.8 If the Company shall, after making offers in accordance with the Priority Rights within the periods stated 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.
- 17.9 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.

- 17.10 If the Company shall not, within the periods limited for acceptance, have found 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 17.7, 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 refuse to register any such transfer unless it is 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.

17.11 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 15 hereof. Regulations 29 to 31 of Table A shall take effect accordingly.

17.12 If Peter Aughterson shall become a Bad Leaver, he shall (if he has not already done so) be deemed on the date of cessation of employment to have served a separate Transfer Notice in respect of all of the Shares then held by him.

17.13 On the deemed service of a Transfer Notice pursuant to Article 14712 the provisions of Article 17 shall apply save that:-

17.13.1 the Purchaser may be any person or persons identified within six months of Peter Aughterson ceasing to be an employee of the Group by the Board, each such person being either the Company or an employee or proposed employee of the Group and, if such person or persons are identified, the Shares shall be offered and allocated to any such person or persons prior to being offered or allocated to existing Shareholders in accordance with Priority Rights; and

17.13.2 the Prescribed Price in respect of any Shares, the subject of a Transfer Notice deemed to be given

pursuant to Article 17.12 shall be £ nil save where the reason for cessation of employment is a dismissal pursuant to Clause 12.1.4 of the Service Contract in which case the Prescribed Price in respect of any such Shares shall be the Prescribed Price certified by the Auditors pursuant to Article 17.3.

17.14 Subject to the provisions of Article 17.15, 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 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:-

17.14.1 an offer is made to all Shareholders to purchase all the Shares in issue 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;

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

17.15 Notwithstanding the provisions of Article 17.14 a sale or transfer in accordance with Article 15.1 or 15.3 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, may be made and shall be registered without a General Offer having to be made.

- 17.16 Any General Offer shall attribute an equal value to each Ordinary Share 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.
- 17.17 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 and that the General Offer shall only become unconditional on acceptance by the holders of 75% or more of the issued Ordinary Shares, the subject of the General Offer. Any General Offer may only be conditional to the extent permitted by Rules 12.3 and 12.4 of the July 1993 Edition of the City Code on Takeovers and Mergers ("the Code") as if the Code applied to such General Offer.
- 17.18 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.
- 17.19 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 the holders of not less than 75% of Ordinary Shareholders any non accepting Shareholder shall, upon the written request of the Company served on such Shareholder within 28 days of the General Offer becoming unconditional, sell all the Shares held by them in accordance with the terms of the General Offer. If, in any case, a Shareholder after having become bound to transfer any Shares hereunder, shall make default in transferring the Shares, the Directors may authorise some person to execute on behalf of and as attorney for the Shareholders 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 Shareholders which purchase money shall only be released to the Shareholders (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.

- 17.20 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 15 to 17 inclusive.
- 17.21 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.

17.22 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 17.7 shall not apply.

17.23 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.

18. With the consent in writing of all Members for the time being the restrictions imposed by Article 17 may be waived or varied in relation to any proposed transfer of Shares.
19. No share shall be issued or transferred to any bankrupt or person of unsound mind.
20. 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:-
 - 20.1 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.
 - 20.2 It is in respect of only one class of shares.
 - 20.3 It is in favour of not more than four transferees.

GENERAL MEETINGS

21. 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.
22. In regulation 50 of Table A there shall be inserted after the word "shall" and before the words "be entitled" the word "not".
23. 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.
24.
 - 24.1 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 Allen & Co. (for so long as Allen & Co. is the registered holder of not less than 20% by nominal value of the Ordinary Shares).
 - 24.2 If, within 15 minutes from the time appointed for the holding of a General Meeting, a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a holiday, to the next working day thereafter) at the time and place as the original meeting or to such other day and at such other time and place as the directors

may determine and the provisions of these Articles as to notices and as to business to be transacted shall apply. If at such adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, the members present shall be deemed to form a quorum.

25. No Shares other than Ordinary Shares registered in the name of the Allen & Co. 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 Allen & Co.
26. No Shares other than Ordinary Shares registered in the names of the Existing Investors (other than Allen & Co.) 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 (other than Allen & Co.).

DIRECTORS

27. 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.
28. 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.
29. 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.

30. The Directors shall not be subject to retirement by rotation.

NOMINATED DIRECTORS

31. 31.1 The Existing Investors (other than Allen & Co.) 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 Ordinary Shares of the Existing Investors (other than Allen & Co.) is 20% or more ("the Relevant Percentage") of the aggregate of the issued Ordinary Shares PROVIDED ALWAYS THAT no Existing Investor (other than Allen & Co.) shall be entitled to appoint an A Director by virtue of the provisions of Article 31.2 in the event of its holding of Ordinary Shares constituting the Relevant Percentage.
- 31.2 Subject to the provisions of Article 31.1, any Ordinary Shareholder shall be entitled to appoint one A Director for each part of such Ordinary Shareholder's holding of Ordinary Shares which constitutes the Relevant Percentage. For so long as Allen & Co. is the registered holder of Ordinary Shares any Ordinary Shares registered in the name of a transferee following any transfer of Ordinary Shares by Allen & Co. pursuant to Article 15.1 or 15.3 shall be deemed to form part of the Allen & Co. holding of Ordinary Shares for the purpose of calculating the Relevant Percentage.
- 31.3 Each A Director shall hold office subject to Article 32 and may at any time be removed from office by his appointors.
- 31.4 D Soskin shall be entitled to be a director until he, or any person to whom he has transferred shares pursuant to Article 15.2 ("a

Permitted Transferee"), sells or transfers any Share or any interest in any Share (save for any transfer permitted by Article 15.2). For the purposes of this Article, Serine Limited shall be deemed to be a Permitted Transferee in respect of any Shares held by it as Trustee of any Trust of which D. Soskin is a settlor or a beneficiary.

- 31.5 For so long as Talisman Management International Limited hold not less than 1% of the Ordinary Shares in issue from time to time, it shall be entitled to appoint any person to be a Director of the Company. In the event that Talisman Management International Limited ceases to hold 1% or more of the Ordinary Shares in issue from time to time it shall take appropriate steps to remove its appointee from the office of Director.
- 31.6 In the event of the aggregate of the holdings of Ordinary Shares of the Existing Investors (other than Allen & Co.) or the individual holdings of any other Ordinary Shareholder (or any part thereof) ceasing to constitute a Relevant Percentage such Existing Investors or such other Ordinary Shareholder (as the case may be) shall take appropriate steps to remove their appointee from the office of director.
- 31.7 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

32 The office of a Director shall be vacated:-

32.1 If by notice in writing to the Company he resigns the office of Director.

32.2 If he becomes bankrupt or enters into any arrangement with his creditors.

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

32.4 If he becomes of unsound mind.

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

32.6 If he is removed under Article 28.

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.

33. 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

34. 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 appointor 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 appointor such alternate Director shall have one vote in addition to his vote as Director. Every appointment and revocation of appointment of an alternate Director shall be made by 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.

PROCEEDINGS OF DIRECTORS

35. 35.1 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 Allen & Co. pursuant to Article 28312) or their alternates and Article 72 of Table A shall be amended accordingly.
- 35.2 If, within 15 minutes from the time appointed for the holding of a board meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week (or if that day is a holiday, to the next working day thereafter) at the time and place as the original meeting or to such other day and at such other time and place (not being less than 7 days from the date of the original meeting) as the directors may determine. At such

adjourned meeting, the quorum shall comprise two directors of whom one shall be an A Director.

- 35.3 If, within 15 minutes from the time appointed for the holding of an adjourned meeting in accordance with the provisions of Article 35.2, a quorum is not present, the meeting shall stand adjourned to the same day in the next week (or if that day is a holiday, to the next working day thereafter) at the time and place as the original meeting or to such other day and at such other time and place (being not less than 7 days from the date of such adjourned meeting) as the directors may determine and the quorum at such adjourned meeting shall be any two directors.
- 35.4 The A Directors appointed by Allen & Co. 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 (if any) appointed by the Existing Investors (other than Allen & Co.).
- 35.5 If, at any meeting of the Directors or of any committee any A Director appointed by Allen & Co. pursuant to Article 31.2 is not present in person or represented by an alternate Director, the votes of the A Director (appointed by Allen & Co. 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.
36. The Chairman of the Board shall have no second or casting vote and Article 88 of Table A shall be modified accordingly.

37. 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, the majority of 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 provided that in such circumstances such A Directors attempt (where practicable) to notify every director prior to the commencement of the meeting.
38. 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.

DIRECTORS FEES

39. Each of the Directors (other than any director having a contract of employment with the Company) may be paid a fee at such rate as may from time to time be determined by the board provided that the fee paid to each such director (excluding any amounts payable by way of reimbursement of expenses) will not exceed £20,000 per annum or such other amount as the Company may, by ordinary resolution determine.

INDEMNITIES

40. 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.