

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

Special Resolution

of

Quilter Holdings Limited

At an extraordinary general meeting of the sole member of the Company duly convened and held on 29 April 1996 at Barrington House, 59-67 Gresham Street, London EC2V 7JA the following Resolution was duly passed as a Special Resolution:

Special Resolution

That:

- (a) 70,000 of the 10,820,000 Ordinary Shares of £1 each in the capital of the Company allotted to Steerline Limited be converted (in each case by sub-division into one hundred "A" Shares of 1p each) into 7 million "A" Shares of 1p each with the rights and limitations set out in the Articles of Association adopted by this Special Resolution;
- (b) 10,750,000 of the 10,820,000 Ordinary Shares of £1 each in the capital of the Company allotted to Steerline Limited be converted (in each case by reclassification as one 7 per cent. Cumulative Preference Share) into 10,750,000 7 per cent. Cumulative Preference Shares of £1 each with the rights and limitations set out in the Articles of Association adopted by this Special Resolution;
- (c) 25,000 of the 2,380,000 Ordinary Shares of £1 each in the unissued capital of the Company be converted (in each case by sub-division into one hundred "B" Shares of 1p each) into the 2,500,000 "B" Shares of 1p which are to be allotted to Credit Commercial de France Holdings Limited each with the rights and limitations set out in the Articles of Association adopted by this Special Resolution;
- (d) 2,250,000 of the 2,380,000 Ordinary Shares of £1 each in the unissued capital of the Company be converted (in each case by reclassification as one 7 per cent. Cumulative Preference Share) into the 2,250,000 7 per cent. Cumulative Preference Shares of £1 which are to be allotted to Credit Commercial de France Holdings Limited each with the rights and limitations set out in the Articles of Association adopted by this Special Resolution;
- (e) 18,750 of the 2,380,000 Ordinary Shares of £1 each in the unissued capital of the Company be converted (in each case by sub-division and reclassification as one hundred Management Shares of 1p each) into 1,875,000 Management Shares of 1p each with the rights and limitations set out in the Articles of Association adopted by this Resolution;
- (f) 5,000 of the 2,380,000 Ordinary Shares of £1 each in the unissued capital of the Company be converted (in each case by sub-division into one hundred Ordinary Shares of 1p each) into 500,000 Ordinary Shares of 1p each with the rights and limitations set out in the Articles of Association adopted by this Resolution;



- (g) 81,250 of the 2,380,000 Ordinary Shares of £1 each in the unissued capital of the Company be converted (in each case by sub-division into one hundred Ordinary Shares of 1p each) into 8,125,000 unclassified Shares of 1p each; and
- (h) the Articles of Association of the Company be altered by the adoption of the Articles of Association tabled to the meeting and, for the purposes of identification, initialled on behalf of the Chairman in substitution for and to the exclusion of the existing Articles of Association of the Company.



Chairman

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ARTICLES OF ASSOCIATION
of
QUILTER HOLDINGS LIMITED

LINKLATERS & PAINES

Barrington House
59-67 Gresham Street
London EC2V 7JA

Tel: 0171-606 7080

(Adopted by Special Resolution passed on 29 April 1996)

THE COMPANIES ACT 1985 - 1989

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

QUILTER HOLDINGS LIMITED

(No. 3061140)]

PRELIMINARY

1 In these Articles:-

"A' Shareholder"	shall mean the person(s) from time to time registered as holder(s) of the 'A' Shares;
"the Act"	shall means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force;
"the Board"	shall mean the board of directors of the Company from time to time;
"B' Shareholder"	shall mean the person(s) from time to time registered as holder(s) of the 'B' Shares;
"CCF Group"	shall mean Credit Commercial de France SA and its subsidiaries and "CCF Group Company" shall be construed accordingly;
"Company ESOP"	shall mean the employee share option plan to be created by the Company;
"CU Group"	shall mean the Commercial Union plc and its subsidiaries and "CU Group Company" shall be construed accordingly;
"Listing"	shall mean the admission of all or any of the Ordinary Shares to the Official List of The London Stock Exchange or the grant of permission for any of the same to be traded on the Alternative Investment Market of such Stock Exchange or the admission of the same to, or the grant of permission by any like authority for the same to be dealt in on any other equivalent or similar share market;
"Listing Rules"	shall mean the rules of the London Stock Exchange;
"the Management"	shall mean all persons who are employees of the Company or any subsidiary of the Company and "member of the Management" shall mean any such person;

"the Management Bonus Policy"	shall mean the bonus policy set out in the Shareholder Agreement;
"Management Ordinary Shares"	shall mean the ordinary shares in the capital of the Company held from time to time by the Management or any Permitted Transferee, which shares shall not constitute a separate class of shares for the purposes of these Articles or otherwise;
"Ordinary Shares"	shall mean any 'A' Shares, 'B' Shares, Management Ordinary Shares and any additional ordinary shares in the capital of the Company issued from time to time;
"Permitted Transferee"	shall mean any party to whom Management Ordinary Shares and Management Shares can be transferred by any member of Management in accordance with Article 7 hereof and to whom Management Shares and Management Ordinary Shares may be issued in that party's capacity as the Permitted Transferee of a member of the Management;
"Shareholders Agreement"	shall mean the agreement of even date with the date of adoption of these Articles between the Vendors and the Company as such agreement maybe amended, modified or replaced from time to time;
Share Purchase Agreements	shall mean the agreements [dated of even date with the date of adoption of these Articles (i) between the Company and CCF Holdings Limited relating to the sale and purchase of the entire issued share capital of Foster & Braithwaite Limited (the "F&B Share Purchase Agreement" and the "F&B Shares" respectively) and (ii) between the Company and Steerline Limited relative to the sale and purchase of the entire issued share capital of Quilter Goodison Company Limited (the "QGC Share Purchase Agreement" and the "QGC Shares" respectively);
"Subsidiary"	shall have the meaning ascribed to it by Section 736 of the Act;
"Table A"	shall mean Table A in the Schedule to the Companies (Table A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985;
"Vendors"	shall mean each of Steerline Limited whose registered office is at St. Helen's 1 Undershaft, London and CCF Holdings Limited whose registered office is at 3 London Wall Buildings, London, EC2M 5RB.

PRELIMINARY

- 1 The regulations contained in Table A (as amended so as to affect companies first registered on the date of the adoption of these Articles) shall, except as hereinafter provided and so far as not excluded by or inconsistent with the provisions of these Articles, apply to the Company to the exclusion of all other regulations or Articles of Association. References herein to regulations are to regulations in the said Table A unless otherwise stated.

SHARE CAPITAL

- 2 The Share Capital of the Company at the date of adoption of these Articles is £13,200,000 divided into 7,000,000 'A' Shares of 1p each ("A' Shares") 2,500,000 'B' Shares of 1p each ("B' Shares") 500,000 ordinary shares of 1p each 13,000,000 7 per cent. Cumulative Preference

Shares of £1 each ("**Preference Shares**") 1,875,000 Management Shares of 1p each the ("**Management Shares**") and 8,125,000 unclassified shares of 1p each.

Preference Shares

- 3 The following are the rights of the Preference Shares and the limitations and restrictions to which they are subject.

3.1 Income

Out of the profits available for distribution and resolved to be distributed, the holders of the Preference Shares are entitled in priority to any payment of dividend to the holders of any other class of shares to be paid in respect of each financial year or other accounting period of the Company a fixed cumulative preferential dividend (**the Preference Dividend**) at the rate of 7 per cent per annum (exclusive of any associated tax credit available to shareholders) on the nominal capital for the time being paid up or credited as paid up thereon, such dividend to be paid half-yearly on 31st March and 30th September (or, if any such date shall be a Saturday, Sunday or public holiday in England, on the first business day following such date) (**fixed dividend dates**) in each year in respect of the half-years ending on those respective dates, save that the first such payment in respect of each Preference Share shall be made on a pro rata basis on 31st March 1997 in respect of the period ended 31 December 1996. Payments of Preference Dividends shall be made to holders on the register at any date selected by the Directors up to 42 days prior to the relevant fixed dividend date. The holders of the Preference Shares are not entitled, in respect of their holdings of Preference Shares, to any further right of participation in the profits of the Company.

3.2 Capital

Except in the case of a return of capital resulting from conversion or redemption, on a return of capital on winding-up or otherwise the holders of the Preference Shares are entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal capital paid up or credited as paid up on the Preference Shares held by them respectively together with a sum equal to all arrears and accruals (if any) of Preference Dividend irrespective of whether or not such dividend has been declared or become due and payable, to be calculated down to and including the date of commencement of the winding-up (in the case of a winding-up) or the return of capital (in any other case). The holders of the Preference Shares are not entitled, in respect of their holdings of Preference Shares, to any further right of participation in the assets of the Company.

3.3 Voting and General Meeting

- 3.3.1 The holders of the Preference Shares, by virtue of and in respect of their holdings of Preference Shares, have the right to receive notice of, attend, speak and vote at a General Meeting of the Company only:

- (i) if and when, at the date of the notice convening such meeting, the Preference Dividend on such shares is six months or more in arrears (and so that for this purpose the Preference Dividend shall be deemed to be payable half-yearly on the dates and in respect of the periods specified in paragraph 3.1 above); or

- (ii) if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Preference Shares, or for the winding-up of the Company, or for sanctioning the sale of the undertaking of the Company, in which case they shall only be entitled to vote on such resolution.
- 3.3.2 Save as aforesaid, the Preference Shares do not confer on the holders thereof the right to receive notice of, attend, speak or vote at any General Meeting of the Company but they entitle the holders to receive copies of notices of General Meetings for information only.
- 3.3.3 Whenever the holders of the Preference Shares are entitled to vote at a General Meeting of the Company upon any resolution proposed at such a General Meeting, on a show of hands every holder thereof who is present in person or, being a corporation by a representative, has one vote and on a poll every holder thereof who is present in person or by proxy or, being a corporation by a representative, has one vote in respect of each fully-paid Preference Share registered in the name of such holder.

Management Shares

- 4 The following are the rights of the Management Shares and the limitations and restrictions to which they are subject.

4.1 Income

Subject to Article 4.4, the Management Shares do not entitle the holders thereof to participate in the profits of the Company.

- 4.2 Subject to Article 4.4, on a return of capital on a winding-up the holders of the Management Shares are, subject to the rights of the holders of the Preference Shares under Article 3.2 above entitled to repayment of a sum equal to the amount originally subscribed on each Management Share.

4.3 Voting and General Meeting

- 4.3.1 The holders of the Management Shares, by virtue of and in respect of their holdings of Management Shares, have the right to receive notice of, attend, speak and vote at a General Meeting of the Company only when the business of the meeting includes a resolution which directly and/or adversely alters or abrogates any of the special rights and privileges attaching to the Management Shares, in which event each holder of Management Shares shall only be entitled to vote on such resolution.

- 4.3.2 Save as aforesaid the Management Shares do not confer on the holders thereof the right to receive notices, attend, speak or vote at any General Meeting of the Company but they shall entitle the holders to receive copies of notices of General Meetings for information only.

- 4.3.3 Wherever the holders of the Management Shares are entitled to vote at a General Meeting of the Company upon any resolution proposed at such General Meeting, on a show of hands every holder thereof who is present in person or, being a corporation, by a representative has one vote and on a poll every holder hereof who is present in person or by proxy or, being a corporation, by a representative has one vote in respect of each fully paid Management Share registered in the name of such holder.

4.4 Conversion

- 4.4.1 On the Conversion Date some or all of the Management Shares shall, if the IRR is in excess of 10% be automatically redesignated fully paid ordinary shares in the capital of

the Company ("New Ordinary Shares") in accordance with the formula set out in paragraph 4.4.6 as adjusted from time to time (the "Conversion Formula")

4.4.2 For the purposes of this Article 4 the Conversion Date shall be the business day immediately preceding the earliest of the following events ("Conversion Events"):

- (i) a Listing; or
- (ii) the acquisition by a single person or by two or more persons acting in concert (as that phrase is defined in the City Code on Take-overs and Mergers) (whether in one or more transactions) of all of the 'A' Shares and the 'B' Shares in issue (a "Sale");
- (iii) the acquisition by a single person or by two or more persons acting in concert (as that phrase is defined in the City Code on Take-overs and Mergers) (whether in one or more transactions) of Ordinary Shares which (taken together with any Ordinary Shares held or acquired by such person or persons) comprises 50% or more (but less than 100%) of the issued Ordinary Shares (a "Partial Sale") provided that the holders of a majority of the Management Shares have given written notice to the Company that such event shall be a Conversion Event; or
- (iv) the fifth anniversary of the date of adoption of these Articles provided that the holders of a majority of the Management Shares have given written notice to the Company that such an event shall be a Conversion Event.

4.4.3 Management Shares shall be redesignated New Ordinary Shares on the Conversion Date only and only in accordance with the Conversion Formula. Any Management Shares which are not redesignated on the Conversion Date shall not thereafter be or be capable of redesignation as New Ordinary Shares.

4.4.4 For the purposes of this Article 4:

"IRR" means the internal rate of return to the Vendors on the Conversion Date calculated as follows (an example calculation is attached to these Articles as an Appendix):

- (i) in respect of each successive period of one calendar month (a "Period") beginning with 1st May 1996 (the "Commencement Date") (but with a final period which may be shorter than one calendar month ending on the Conversion Date) there shall be ascertained:-
 - (a) the value of the consideration paid to the Company during that Period for or in respect of the 'A' Shares, 'B' Shares and Preference Shares issued to the Vendors (the "Vendor Shares") and, but only where that Period is the first period, the value of the consideration paid by the Company in respect of the Vendor Shares in accordance with the Share Purchase Agreements being agreed at an aggregate value of £22,500,000; and
 - (b) the total amount of cash paid by the Company to the holders in respect of their Vendor Shares during that Period (including any repayments or purchases of share capital and any distributions on such shares) and, but only where that Period is the final period, the Exit Value (as defined below) of the Vendor Shares.

The figure which results from deducting (a) from (b) above in respect of any Period is referred to below as the "cash flow for that Period" and it is assumed for the

purposes of this Articles that the cash flow for any Period arises at the end of that Period.

(ii) The IRR is "R"

where "R" is the percentage divided by 100 such that

$$1 + R = (1 + r)^{12}$$

where "r" is the percentage divided by 100 such that the sum of the amounts calculated in accordance with the following formula for each Period from the first Period (ascertained pursuant to (i) above) to the final Period (which ends on the Conversion Date) is zero:-

$$\frac{\text{Cash flow for that Period } t}{(1 + r)^t}$$

where t is 0 on and before the Commencement Date, t is 1 in respect of the first Period, 2 in respect of the second Period and so on (such that, for the avoidance of doubt, t equals 13 for the period commencing on the date of the first anniversary of the Commencement Date etc.).

(iii) "Exit Value" means the value of the Vendor Shares in issue on the Conversion Date by reference to the following Conversion Events (in each case such calculation to be made as though there had not been, nor would be, any redesignation of Management Shares):-

- (a) in the case of a Listing, the price per share at which Ordinary Shares in the Company are sold or offered in connection with the Listing (in the case of an offer for sale, being the underwritten price or, if an offer for sale by tender, the striking price under such offer or, in the case of a placing, the price at which shares are sold under the placing) and where any Preference Shares remain in existence at the time of the Listing the par value of such Preference shares, but net of underwriting discounts and commissions multiplied by the number of Vendor Shares in issue at the time of such Listing (or shares deriving therefrom consequent upon a share reorganisation prior to the Listing);
- (b) in the case of a Sale, the price offered to the holders of Vendor Shares in connection with the Sale;
- (c) if the Conversion Event is the fifth anniversary of the adoption of these Articles, their value as determined by independent valuers, appointed for this purpose by the holders of the Vendor Shares, whose determination shall be final and binding taking account of any contingent liabilities of the Company (whether in respect of repayment of indebtedness or otherwise) and any potential dilution of the percentage shareholding representing the Vendor Shares by virtue of any proposed further issue of shares.

4.4.5 If the IRR is 10% or less then the Management Shares shall not be redesignated and shall cease to be capable of being redesignated or of being treated as redesignated.

4.4.6 If the IRR is in excess of 10% the Management Shares shall be redesignated New Ordinary Shares in accordance with the following formula:

$$q = z \times \text{EOSC}$$

Where

q = the number of Management Shares to be redesignated New Ordinary Shares;

EOSC = the enlarged ordinary share capital of the Company following redesignation of Management Shares; and

z = the percentage of the EOSC which the New Ordinary Shares represent following redesignation of Management Shares, such percentage to be calculated as follows:-

$$a + \left(\left(\frac{IRR - 10\%}{30\% - 10\%} \right) \times \left(\frac{a}{5\%} \times 15\% \right) \right) - s$$

Where

$$a = \frac{p}{OSC} \times 100\%$$

p = the number of Management Ordinary Shares in issue on the Conversion Date

OSC = the ordinary issued share capital of the Company prior to conversion of any of the Management Shares

$$s = \frac{p}{EOSC} \times 100\%$$

Provided that for the purposes of the calculation of z, IRR shall not exceed 30% and any proportion of IRR in excess of 30% shall be disregarded.

- 4.4.7 Where in accordance with Clause 4.4.6 a proportion only of the Management Shares in issue are to be redesignated New Ordinary Shares, then only so many of each holder's holding of Management Shares shall be so redesignated as is equal to that proportion of his holding, a fraction of a Management Share being disregarded.
- 4.4.8 Within 14 days after the Conversion Date, the Company shall send to each holder of the Management Shares, by post at his own risk, free of charge, a definitive certificate for the appropriate number of fully-paid New Ordinary Shares.
- 4.4.9 The holders of any Management Shares which are not redesignated on the Conversion Date shall, when requested by the Company, sell all such Management Shares to the Company at their par value subject to the provisions of the Act.
- 4.4.10 If the 'A' Shareholder(s) and/or the 'B' Shareholder(s) subscribe on or before the Conversion Date for additional share capital in the Company for the purposes of:
- (i) any acquisition by the Company; or
 - (ii) ensuring that the Company remains solvent and able to pay its debts within the meaning of Section 123(1) of the Insolvency Act 1986; or
 - (iii) satisfying the solvency requirements applicable to the Company or any of its subsidiaries under the rules of any one of the Securities and Futures Authority, the Investment Management Regulatory Organisation and the Personal Investment Authority (or their successors from time to time)

the number of Management Shares to be redesignated New Ordinary Shares shall be reduced as determined to be appropriate by the Auditors whose certificate in this respect shall be conclusive and binding on all concerned.

5 Variation of Rights

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 that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class but not otherwise. To every such separate meeting all the provisions of these articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum (or, in circumstances where there is one holder of the shares of any class, one person)), held by them respectively provided that, without prejudice to the generality of this Article:-

- 5.1 the special rights attached to Preference Shares shall be deemed to be varied by the passing of any resolution for the winding up of the Company; and
- 5.2 the special rights attached to Management Shares shall be deemed to be varied:-
 - (i) by the Company carrying out a transaction which if the Ordinary Shares were listed on the London Stock Exchange would constitute a Super Class 1 transaction as defined in the Listing Rules;
 - (ii) by any material alteration, amendment or modification of the Management Bonus Policy.

Issue and Purchase of Shares

- 6.1 Subject to Section 80 of the Companies Act 1985, all unissued shares shall be at the disposal of the Board and, except where Ordinary Shares are offered to a person who holds Ordinary Shares, Section 89(1) of the Companies Act 1985 shall not apply.
- 6.2 Where Ordinary Shares (the "**New Shares**") are issued to a person as being the holder of 'A' Shares, 'B' Shares or Ordinary Shares (the "**Existing Shares**") the New Shares so issued shall have the same denomination as the Existing Shares.
- 6.3 Unissued shares in the capital of the Company may be issued as Management Shares only in such a manner as to ensure that Management Shares are issued to a member of the Management and/or such member's Permitted Transferee(s), and only if, at the same time, such member subscribes and/or procures the subscription by such Permitted Transferee(s), for and are issued 3.75 times the number of Management Share as he or his Permitted Transferee(s) subscribes for and are issued Ordinary Shares.

Transfer of Shares

- 7.1 For the purposes of this Article 7:

company includes any body corporate;

a **Member of the Same Group** means, in relation to any company, a company which is for the time being a holding company of that company or a direct or indirect subsidiary of that company

or a subsidiary of any such holding company (as such terms are defined in the Companies Acts 1985 - 1989);

Transferor means a member which has transferred or proposes to transfer shares to a Member of the Same Group;

Transferee means a company for the time being holding shares in consequence (directly or indirectly) of a transfer or series of transfers of shares between Members of the Same Group (the relevant Transferor in the case of a series of such transfers being the first Transferor in such series);

the Original Shares means and includes (so far as the same remain for the time being held by any person(s) being the holder(s) thereof on the adoption of these Articles or by any person(s) in consequence of a transfer or series of transfers of shares to such person(s) pursuant to paragraph 7.2 below) the shares originally held by or transferred to such person(s) and any additional shares issued to such person(s) by way of capitalisation or acquired by such person(s) in exercise of any right or option granted or arising by virtue of the holding of the Original Shares or any of them or the membership thereby conferred.

Family Member means, in relation to an individual being the holder of Management Shares, the husband or wife, or (subject to the terms of Article 11 below) the widower or widow of that individual, and the lineal descendants in direct line of that individual, a stepchild or adopted child of any person shall be deemed to be a lineal descendant of such person.

Family Trust means, in relation to an individual being the holder of Management Shares, a trust (however arising) under which no immediate beneficial interest in any of the shares in question is for the time being vested in any person other than that individual and/or any Family Members of that individual, and for the purposes aforesaid a person shall be deemed to be beneficially interested in a share if such share or the income thereof is or may become liable to be transferred, paid or applied or appointed to or for his benefit pursuant to the terms of the relevant trust or in consequence of an exercise of a power or discretion conferred thereby on any person or persons.

7.2 Subject to the provisions of Regulation 24 and of Article 12 below any share may at any time be transferred:

- 7.2.1 as respects any 'A' Shares, 'B' Shares or Preference Shares, only to a member holding shares of the same class; or
- 7.2.2 by any corporate member to a company which has acquired, in connection with a scheme of amalgamation or reconstruction, the whole or the main part of the undertaking and assets of such member or to a Member of the Same Group; or
- 7.2.3 to any person with the consent in writing of the holders of all the 'A' Shares and the 'B' Shares; or
- 7.2.4 to any person in accordance with the provisions of any agreement for the time being binding on all members and the Company; or
- 7.2.5 (in respect of Management Shares only) to any Family Member; or
- 7.2.6 by any person entitled to those shares in consequence of the death of a holder of Management Ordinary Shares and Management Shares to any persons to whom such holder, if not dead, would have been permitted hereunder to transfer the same; or
- 7.2.7 by any person holding an interest in shares as trustee of any trusts upon his retirement therefrom to any other person to be held by him as trustee upon the same trusts; or

- 7.2.8 to trustees to be held upon Family Trusts related to a member of the Management; or
- 7.2.9 by trustees holding upon Family Trusts related to a member of the Management or a deceased or former member of the Management to any person in which an immediate beneficial interest in the shares in question is for the time being vested under such trusts.
- 7.3 If, while it holds shares in the Company, a Transferee ceases to be a Member of the Same Group as the Transferor from which the Original Shares were derived, (the relevant Transferor in the case of a series of transfers being the first Transferor in such series) it shall be the duty of the Transferee to notify all the other members in writing that such event has occurred and the Transferee shall be bound (except as all the other members may in writing otherwise determine) to transfer the Original Shares to the Transferor or a Member of the Same Group as the Transferor, any such transfer being deemed to be authorised under the foregoing provisions of this Article, but subject to the provisions of Regulation 24.
- 7.4 Except in the case of a transfer expressly authorised by this Article 7 or made in accordance with the procedure set out in Articles 8, 9 and 10 below, no transfer of a share shall be registered without the sanction of an effective resolution of the Board and if such sanction is not given or is refused within eight weeks after the transfer is lodged for registration the sanction shall be deemed to have been refused at the expiration of such period and the transferee shall be notified accordingly.
- 8.1 For the purposes of this Article 8:
- Permitted Transfer** means a transfer of shares expressly authorised by Article 7;
- Prescribed Period** means the period described in paragraph 8.2.3 of this Article;
- Prescribed Price** means the price per share described in paragraph 8.2.2 of this Article;
- Proposing Transferor** means a person proposing to transfer or dispose of shares;
- Purchasers** means persons who agree to purchase the shares to which a Transfer Notice relates (or any of them), and **Purchaser** means any such person;
- shares** means the 'B' Shares, Preference Shares, the Management Ordinary Shares and/or the Management Shares to be transferred in accordance with the terms of this Article 8;
- Transfer Notice** means a notice in writing from a Proposing Transferor to the Company that he desires to transfer or dispose of shares, or an interest in shares, in the Company;
- 8.2 Except in the case of a Permitted Transfer and subject to the terms of Article 12 the right of any 'B' Shareholder to transfer or to dispose of any 'B' Shares and/or Preference Shares or any interest in such shares, and the right of any Qualifying Leaver and/or Permitted Holder (as those terms are defined in Article 12 below) to dispose of any Management Ordinary Shares and/or Management Shares or any interest in such shares shall be subject to the following restrictions and provisions. The said restrictions and provisions shall not apply to the transfer of, or of any interest in, 'A' Shares as to which Article 9 shall apply. This Article 8 does not apply to the transfer of, or of any interest in, Management Ordinary Shares or Management Shares by any persons other than Qualifying Leavers or Permitted Holders, which transfers require to be sanctioned by the Board in accordance with Article 7.4 above.
- 8.2.1 Before transferring or disposing of any shares or any interest in any shares the Proposing Transferor shall give a Transfer Notice. The Transfer Notice shall constitute the Company the agent of the Proposing Transferor for the sale of the shares therein mentioned (together with all rights then attached thereto) at the Prescribed Price during

the Prescribed Period to any person selected or approved by the Board and shall not be revocable except with the consent of the Board.

- 8.2.2 If not more than one month before the date on which the Transfer Notice is given the Proposing Transferor and the Board agree a price per share as representing the fair value thereof or as being acceptable to the Proposing Transferor, then such price shall be the Prescribed Price provided that, if any person has made a bona fide offer to purchase the shares and evidence of such offer is provided to the Board by the Proposing Transferor, then the price per share represented by such offer shall, at the discretion of the Proposing Transferor, be the Prescribed Price. Otherwise, upon the giving of the Transfer Notice the Board shall request the Auditors to determine and certify the sum per share considered by them to be the fair value thereof as at the date on which the Transfer Notice was given and the sum per share so determined and certified shall be the Prescribed Price. In either such case, there shall be deducted from the Prescribed Price as so agreed, certified or set by reference to the value of a bona fide offer (as the case may be) any dividend or other distribution declared or made on or after the date of such agreement or certification and which is to be retained by the Proposing Transferor. The Auditors shall act hereunder at the cost and expense of the Proposing Transferor as experts and not as arbitrators and their determination shall be final and binding on all persons concerned and in the absence of fraud the Auditors shall be under no liability to any such person by reason of their determination or certificate or by anything done or omitted to be done by the Auditors for the purposes thereof or in connection therewith.
- 8.2.3 If, prior to the date on which the Transfer Notice was given, the Prescribed Price was agreed as aforesaid or was set by reference to the value of a bona fide offer to purchase the shares, the Prescribed Period shall commence on such date and expire three months thereafter. If the Prescribed Price was not so agreed, the Prescribed Period shall commence on the date on which the Auditors shall have notified the Board of their determination of the Prescribed Price (pending which the Board shall defer the making of the offer hereinafter mentioned) and shall expire three months thereafter.
- 8.2.4 All 'B' Shares and all Preference Shares included in any Transfer Notice shall first by notice in writing be offered by the Company to all members holding 'B' Shares and all members holding both 'B' Shares and Preference Shares, respectively (other than the member to whose shares the Transfer Notice relates or any member who has given a Transfer Notice in respect of any 'B' Shares or who is bound to give a Transfer Notice in respect of his 'B' Shares or any of them) for purchase at the Prescribed Price on terms that in case of competition the shares so offered shall (in accordance with the provisions of paragraph 8.2.5 of this Article) be sold to the acceptors in proportion (as nearly as may be without involving fractions or increasing the number sold to any member beyond that applied for by him) to their existing holdings of shares of the same class. Such offer shall prescribe a time (not being less than 21 days) within which it must be accepted or in default will lapse.
- 8.2.5 Any 'B' Shares and Preference Shares not so accepted shall be offered by the Company to each holder of 'A' Shares (other than, if relevant, the member to whose shares the Transfer Notice relates or any member who has given a Transfer Notice in respect of any shares or who is bound to give a Transfer Notice in respect of his shares or any of them) for purchase at the Prescribed Price in the same manner, *mutatis mutandis*, as set out in paragraph 8.2.4 of this Article.
- 8.2.6 All Management Ordinary Shares and Management Shares included in any Transfer Notice shall by notice in writing be offered by the Company to the Company ESOP

(other than where the Transfer Notice relates to shares held by the Company ESOP or the Company ESOP is bound to give a Transfer Notice in respect of its shares or any of them) or to such other third party as may be agreed by the Board for purchase at the Prescribed Price in the same manner, *mutatis mutandis*, as set out in paragraph 8.2.4 of this Article.

- 8.2.7 If within the Prescribed Period Purchasers agree to purchase the shares concerned or any of them and give notice in writing thereof to the Proposing Transferor, he shall be bound, upon payment of the Prescribed Price, to transfer such shares to the respective Purchasers. Every such notice shall state the name and address of the Purchaser and the number of shares agreed to be purchased by him and the purchase shall be completed at a place and time to be appointed by the Board, not being less than three days nor more than 10 days after the date of such notice. Provided that if the Transfer Notice shall state that the Proposing Transferor is not willing to transfer part only of the shares concerned this paragraph shall not apply unless Purchasers have agreed to purchase all of such shares.
- 8.2.8 If a Proposing Transferor shall fail or refuse to transfer any shares to a Purchaser hereunder the Board may authorise some person to execute and deliver on his behalf the necessary transfer and the Company may receive the purchase money in trust for the Proposing Transferor and cause the Purchaser to be registered as the holder of such shares. 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 Purchaser has been registered in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.
- 8.2.9 If the Company shall not within the Prescribed Period give notice in writing to the Proposing Transferor that it has found Purchasers for any 'B' Shares, Preference Shares and/or Management Ordinary Shares included in the Transfer Notice, or if the Company shall within the Prescribed Period give to the Proposing Transferor notice in writing that the Company has no prospect of finding Purchasers for such shares, or any of them, the Proposing Transferor at any time thereafter up to the expiration of two months after the end of the Prescribed Period shall be at liberty (subject to the provisions of Regulation 24) to transfer those shares for which the Company has not within the Prescribed Period given notice that it has found (or has given notice that it has no prospect of finding) Purchasers to any person on a bona fide sale at any price not being less than the Prescribed Price (after deducting, where appropriate, any dividend or other distribution declared or made on or after the date of the Transfer Notice and which is to be retained by the Proposing Transferor). Provided that:
- (a) if the Transfer Notice shall state that the proposing Transferor is not willing to transfer part only of the shares concerned he shall not be entitled hereunder to transfer any of such shares unless in aggregate the whole of such shares are so transferred; and
 - (b) 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 transfer without any deduction, rebate or allowance whatsoever to the Purchaser and if not so satisfied may refuse to register the instrument of transfer.
- 8.2.10 If the Company shall not within the Prescribed Period find Purchasers for any Management Shares included in the Transfer Notice such Management Shares shall be purchased by the Company at par value subject to the provisions of the Act.

9.1 For the purposes of this Article 9:

'A' Shareholder's Notice means a notice in writing from an 'A' Shareholder to the Company that he desires to transfer or dispose of 'A' Shares and/or Preference Shares, or an interest in 'A' Shares and/or Preference Shares;

Prospective Transferee means the party to whom an 'A' Shareholder seeks to transfer his 'A' Shares;

Prospective Sale Date means the date on which an 'A' Shareholder proposes to sell his 'A' Shares to the Prospective Transferee;

Prospective Sale Shares means the 'A' Shares specified in the 'A' Shareholder's Notice.

9.2 If the 'A' Shareholder proposes to sell or otherwise transfer for value all or a proportion of its 'A' Shares, or its Preference Shares otherwise than to a CU Group Company, it may do so, but only subject to and in compliance with this Article:

9.2.1 The 'A' Shareholder shall give a copy of the 'A' Shareholder's Notice to the 'B' Shareholder and to the holders of the Management Ordinary Shares at least 28 days prior to the date of the Prospective Sale Date, which notice shall set forth, to the extent not set forth in any accompanying documents, all of the material terms of the intended sale, including but not limited to the name and address of the Prospective Transferee, all information reasonably available to the 'A' Shareholder regarding the Prospective Transferee that the 'B' Shareholder and the holders of the Management Ordinary Shares would reasonably need to make a decision under this Article, the purchase price and other terms and conditions of payment, the Prospective Sale Date and the number of the Prospective Sale Shares.

9.2.2 Where the 'A' Shareholder proposes to sell or otherwise transfer for value a proportion of its 'A' Shares which comprises 50% or more of the issued Ordinary Shares, the 'A' Shareholder shall give a copy of the 'A' Shareholder's Notice to the holders of the Management Shares.

9.2.3 Within 21 days of receipt of the 'A' Shareholder's Notice, the 'B' Shareholder may notify the 'A' Shareholder that it desires to sell 'B' Shares to the Prospective Transferee on the same terms and conditions as set forth in the 'A' Shareholder's Notice. Upon giving such notice to the 'A' Shareholder, the 'B' Shareholder shall be entitled to sell to the Prospective Transferee, on the same terms and conditions as set forth in the 'A' Shareholder's Notice, up to that number of its shares (the "Tag-Along Shares") equal to:-

- (i) in the case of 'B' Shares held by the 'B' Shareholder, the product of (a) the total number of 'A' Shares agreed to be purchased by the Prospective Transferee and (b) a fraction of which the numerator shall be the number of 'B' Shares then owned by the 'B' Shareholder and the denominator shall be the total number of 'A' Shares and 'B' Shares in issue; and
- (ii) in the case of Preference Shares held by the 'B' Shareholder, the product of (a) the total number of Preference Shares agreed to be purchased by the Prospective Transferee and (b) the fraction of which the numerator shall be the number of Preference Shares then owned by the 'B' Shareholder and the denominator shall be the total number of Preference Shares in issue,

except that if the sale of such number of Tag-along Shares would leave the 'B' Shareholder with less than 10% of the Equity Shares then in issue, the 'B' Shareholder may treat all its 'B' Shares and all its Preference Shares as the Tag-Along Shares. The

'B' Shareholder shall not be deemed to have entered into a legally binding agreement to sell any Tag-Along Shares unless and until it shall have entered into a definitive share purchase agreement in respect of its 'B' Shares with the Prospective Transferee, on the same terms in all material respects as those entered into by the 'A' Shareholder. If the 'B' Shareholder is not afforded the right to participate in the transaction contemplated by the 'A' Shareholder's Notice in accordance with the terms and conditions hereof, the 'A' Shareholder may not consummate such transaction and the Board may not register the transfer of 'A' Shares and/or Preference Shares by the 'A' Shareholder.

9.2.4 Within 21 days of receipt of the 'A' Shareholder's Notice, the holders of a majority of the Management Ordinary Shares may notify the 'A' Shareholder that they desire to sell their entire holding of Management Ordinary Shares on the same terms and conditions as set forth in the 'A' Shareholder's Notice. Upon giving such notice to the 'A' Shareholder, the holders of the Management Ordinary Shares shall be entitled to sell to the Prospective Transferee, on the same terms and conditions as set forth in the 'A' Shareholder's Notice, their entire holding of Management Ordinary Shares. The holders of the Management Ordinary Shares shall not be deemed to have entered into a legally binding agreement to sell their Management Ordinary Shares unless and until they have entered into a definitive share purchase agreement in respect of their Management Ordinary Shares with the Prospective Transferee, on the same terms in all material respects as those entered into by the 'A' Shareholder. If the holders of the Management Ordinary Shares are not afforded the right to participate in the transaction contemplated by the 'A' Shareholder's Notice in accordance with the terms and conditions hereof, the 'A' Shareholder may not consummate such transaction and the Board may not register the transfer of 'A' Shares by the 'A' Shareholder.

9.2.5 Within 21 days of receipt of the 'A' Shareholder's Notice, the holders of a majority of the Management Shares may notify the Company in writing that they wish the sale of the Prospective Sale Shares to constitute a Conversion Event and that shall trigger the conversion of their Management Shares in accordance with the Conversion Formula. On the same day on which such notice is served upon the Company the holders of the Management Shares shall notify the 'A' Shareholder in writing that they desire to sell their entire shareholding of New Ordinary Shares resulting from the conversion of all of their Management Shares in accordance with Article 4.4. hereof (the "New Ordinary Shares") on the same terms and conditions as set forth in the 'A' Shareholder's Notice. Upon giving such notice to the 'A' Shareholder, the holders of the Management Ordinary Shares shall be entitled to sell to the Prospective Transferee, on the same terms and conditions as set forth in the 'A' Shareholder's Notice, the New Ordinary Shares. The holders of the Management Shares shall not be deemed to have entered into a legally binding agreement to sell the New Ordinary Shares unless and until they have entered with a definitive share purchase agreement in respect of the New Ordinary Shares with the Prospective Transferee, on the same terms in all material respects as those entered into by the 'A' Shareholder. If the holders of the Management Shares are not afforded the right to participate in the transaction contemplated by the 'A' Shareholder's Notice in accordance with the terms and conditions hereof, the 'A' Shareholder may not consummate such transaction and the Board may not register the transfer of 'A' Shares by the 'A' Shareholder.

10.1 For the purposes of this Article 10:

Selling Shareholder means any holder of Ordinary Shares who intends to sell some or all of his holding of Ordinary Shares where such sale would constitute a Partial Sale as defined in Article 4.4.2 (iii) above;

Selling Shareholder's Notice means a notice in writing from a Selling Shareholder to the Company that he desires to transfer or dispose of Ordinary Shares or an interest in Ordinary Shares;

Prospective Transferee means the party to whom a Selling Shareholder seeks to transfer his Ordinary Shares;

Prospective Sale Date means the date on which an Selling Shareholder proposes to sell his Ordinary Shares to the Prospective Transferee;

Prospective Sale Shares means the Ordinary Shares specified in the Selling Shareholder's Notice.

- 10.2 Notwithstanding the terms of Articles 8 and 9 hereof, where any Selling Shareholder proposes to sell or transfer all or part of his holding of Ordinary Shares and such sale would constitute a Partial Sale (as defined in Article 4.4.2(iii) above) such Selling Shareholder may do so only subject to and in compliance with this Article:

10.2.1 The Selling Shareholder shall give a copy of the Selling Shareholder's Notice to the holders of all remaining Ordinary Shares and the holders of the Management Shares (the **Remaining Shareholders**) at least 28 days prior to the date of the Prospective Sale Date, which notice shall set forth, to the extent not set forth in any accompanying documents, all of the material terms of the intended sale, including but not limited to the name and address of the Prospective Transferee, all information reasonably available to the Selling Shareholder regarding the Prospective Transferee that the Remaining Shareholders would reasonably need to make a decision under this Article, the purchase price and other terms and conditions of payment, the Prospective Sale Date and the number of the Prospective Sale Shares.

10.2.2 Within 21 days of receipt of the Selling Shareholder's Notice, the Remaining Shareholders (or any of them) may notify the Selling Shareholder that they desire to sell their entire holdings of Ordinary Shares (including subject, to the terms of Article 10.2.3 below any New Ordinary Shares arising from redesignation of Management Shares in accordance with Article 4.4. hereof) (the **Remaining Ordinary Shares**) to the Prospective Transferee on the same terms and conditions as set forth in the Selling Shareholder's Notice. Upon giving such notice to the Selling Shareholder, such Remaining Shareholders shall be entitled to sell to the Prospective Transferee, on the same terms and conditions as set forth in the Selling Shareholder's Notice, the Remaining Ordinary Shares.

The Remaining Shareholders shall not be deemed to have entered into a legally binding agreement to sell the Remaining Ordinary Shares unless and until they shall have entered into a definitive share purchase agreement in respect of the Remaining Ordinary Shares with the Prospective Transferee, on the same terms in all material respects as those entered into by the Selling Shareholder. If the Remaining Shareholders are not afforded the right to participate in the transaction contemplated by the Selling Shareholder's Notice in accordance with the terms and conditions hereof, the Selling Shareholder may not consummate such transaction and the Board may not register the transfer of the Prospective Sale Shares.

10.2.3 Within 21 days of receipt of the Selling Shareholder's Notice, the holders of a majority of the Management Shares may notify the Company in writing that they wish the sale of the Prospective Sale Shares to constitute a Conversion Event and that shall trigger the conversion of their Management Shares in accordance with the Conversion Formula.

- 11 No share and no interest in any share shall be held by any member as a bare nominee for or sold or disposed of to any person unless a transfer of such share to such person would rank as a Permitted Transfer. If the foregoing provision shall be infringed the holder of such share shall be bound to give to the Company a transfer notice in respect thereof which transfer notice shall constitute the Company the agent of the holder of such share for the sale of such share.
- 11.1 For the purpose of ensuring that a transfer of shares is a Permitted Transfer or that no circumstances have arisen whereby a transfer notice is required to be given hereunder the Directors may from time to time require any member or any person named as transferee in any transfer lodged for registration to furnish to the Company such information and evidence as the Board may think fit regarding any matter which they may deem relevant to such purpose.
- 11.2 In any case where the Board have duly required a transfer notice to be given in respect of any shares and such transfer notice is not duly given within a period of one month, or such longer period as the Board may allow for the purpose, such transfer notice shall (except and to the extent that a Permitted Transfer of any of such shares shall have been lodged) be deemed to have been given on such date after the expiration of the said period as the Board may by resolution determine and the provisions of the Article relating to transfer notices shall take effect accordingly.

Transmission of Shares

- 12.1 For the purposes of this Article 12:

"Qualifying Leaver" means a member of the Management who has ceased to be employed by the Company on retirement, by reason of ill-health, on being made redundant or on death and whose Leaver Shares (as hereafter defined) had as at his Leaving Date (as hereafter defined) been held by him and/or by a Permitted Holder of such Qualifying Leaver for an aggregate period longer than six months;

"Non-qualifying Leaver" means a member of the Management who has ceased to be employed by the Company and who does not constitute a Qualifying Leaver provided that the Board may reclassify a Non-qualifying Leaver as a Qualifying Leaver as it sees fit;

"Leaver" means a Qualifying Leaver or a Non-qualifying Leaver

"Leaving Date" means

- (a) in relation to a Qualifying Leaver the date:
- (i) upon which such Qualifying Leaver gives notice of his intention to leave his employment by reason of ill-health or on retirement;
 - (ii) upon which such Qualifying Leaver receives notice of his redundancy; or
 - (iii) of his death.
- (b) in relation to a Non-qualifying Leaver the date on which he ceases to be employed by the Company;

"Leaver Shares" means in relation to shares in the Company held by a Leaver all such shares held by him and any such shares transferred under a Permitted Transfer (as defined in Article 8.1 above) by such Leaver or at his direction issued to any Permitted Holder of such Leaver;

"Permitted Holder" in relation to a Leaver means a person to whom shares in the Company have been transferred by that Leaver under a Permitted Transfer or to whom such shares have at the discretion of the Leaver been issued.

- 12.2 The Board shall, or shall procure that an independent third party shall, at not less than one date in any period of twelve months, value the Ordinary Shares (the "annual valuation") at the value that they would have if they were listed on the London Stock Exchange as at that date. The Board shall procure that each annual valuation is reviewed and approved by the Auditors of the Company.
- 12.3 A Qualifying Leaver or, where applicable, his executors or administrators or any Permitted Holder of such Leaver may:
- 12.3.1 retain the Leaver Shares provided always that, notwithstanding anything to the contrary contained in these Articles, all Management Ordinary Shares comprised in the Leaver Shares shall cease to confer on the holder thereof any right to receive notices, attend, speak or vote at any General Meeting of the Company;
 - 12.3.2 on or no later than one month after his Leaving Date give a notice in writing to the Company that he desires to dispose of the Leaver Shares.
- 12.4 Any notice received by the Company in accordance with sub-paragraph 12.3.2 shall constitute the Company the agent of the Leaver, his executors or administrators and/or any Permitted Transferee of such Leaver, for the sale of the Management Ordinary Shares comprised in the Leaver Shares at a price equal to the last annual valuation of the Management Ordinary Shares and the Company shall procure a purchaser for the Management Ordinary Shares at such price and/or shall purchase at par any Management Shares comprised in the Leaver Shares.
- 12.5 Every Non-qualifying Leaver and, where applicable any Permitted Transferee of such Leaver, shall on the Leaving Date of such Leaver be deemed to have given a notice to the Company that he desires to dispose of the relevant Leaver Shares and such notice shall constitute the Company the agent of the Non-qualifying Leaver and/or his Permitted Holder(s) for the sale of the Leaver Shares and the purchase at par of any Management Shares comprised in such Leaver Shares]. Any such sale of Leaver Shares by the Company shall be at a price equal to the lower of the subscription price and the last annual valuation of the Leaver Shares.

13 Proceedings at General Meetings

- 13.1 Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy including one person being or representing a holder of any of the 'A' Shares and one person being or representing a holder of any of the 'B' Shares. Regulation 40 shall be modified accordingly.
- 13.2 If at any adjourned meeting such a quorum is not present within 10 minutes from the time appointed for the adjourned meeting (or such longer interval as the chairman of the meeting may think fit to allow) the meeting shall be dissolved, except that, if a meeting to consider a resolution or resolutions for the winding up of the Company and the appointment of a Liquidator be adjourned for want of a quorum and if at such adjourned meeting such a quorum is not present within five minutes from the time appointed for the adjourned meeting, any one or more members present in person or by proxy shall constitute a quorum for the purposes of considering and if thought fit passing such resolution or resolutions but no other business may be transacted. Regulation 41 shall be extended accordingly.
- 14 The chairman at any General Meeting shall not be entitled to a second or casting vote. Regulation 50 shall not apply.
- 15 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 shall be extended accordingly.

Votes of Members

- 16 On a show of hands every member who is present in person shall have one vote for every Ordinary Share of which he is the holder; Provided that the 'A' Shares and the 'B' Shares shall not confer any right to vote upon a resolution for the removal from office of a director appointed or deemed to have been appointed by holder of shares of the other class. Regulation 54 shall not apply.
- 17 An instrument appointing a proxy (and, where it is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof) must either be delivered at such place or one of such places (if any) as may be specified for that purpose in or by way of note to the notice convening the meeting (or, if no place is so specified, at the registered office) at least one hour before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting for the taking of the poll at which it is to be used or be delivered to the Secretary (or the chairman of the meeting) on the day and at the place of, but in any event before the time appointed for holding, the meeting or adjourned meeting or poll. An instrument of proxy shall not be treated as valid until such delivery shall have been effected. Regulation 62 shall not apply.

Number of Directors

- 18 The maximum number of directors shall be 9 or such other number as the Company may from time to time by Ordinary Resolution determine. The first directors shall consist of three persons who shall be designated as 'A' Directors (and who shall be deemed to have been appointed under Article 20 by the holders of the 'A' Shares) and two persons who shall be designated as 'B' Directors (and who shall be deemed to have been appointed under Article 21 by the holders of the 'B' Shares). Regulation 64 shall not apply.

Alternate Directors

- 19.1 The holders of a majority of any 'A' Shares and/or the 'B' Shares may each at any time appoint any person (including another director) to be the alternate director of any director of the relevant class and may at any time terminate such appointment. Any such appointment or termination of appointment shall be effected in like manner as provided in Articles 20 and 21 hereof. The same person may be appointed as the alternate director of more than one director. Regulations 65 to 68 shall not apply.
- 19.2 The appointment of an alternate director shall determine on the happening of any event which if he were a director would cause him to vacate such office or if the director of whom he is the alternate ceases to be a Director.
- 19.3 An alternate director shall be entitled to receive notices of all meetings of the Board and of all committees of the Board of which the director for whom he is the alternate is a member and to attend and vote and be counted in the quorum at any such meeting at which the director for whom he is the alternate is not personally present and generally to perform all the functions of the director of whom he is the alternate in his absence and the provisions of these Articles shall apply as if he were a director of the relevant class. If he shall be himself a director or shall attend any such meeting as an alternate for more than one director his voting rights shall be cumulative.

Appointment and Removal of Directors

- 20 The holders of a majority of the 'A' Shares may from time to time appoint 5 persons to be Directors, and the holders of a majority of the 'B' Shares being shares which comprise 15 per cent or more of the issued Ordinary Shares, may from time to time appoint 2 persons to be

directors or one person where the 'B' Shares comprise 10 per cent. or more (but less than 15 per cent.) of the issued Ordinary Shares. In these Articles the expressions 'A' Director and 'B' Director respectively designate directors according to the class of shares holders of a majority of which have appointed or are deemed to have appointed them. The directors so designated shall not be subject to retirement by rotation. Regulations 73 to 80 shall not apply.

- 21 The office of a director shall be vacated in any of the events specified in Regulation 81 and also if he shall be removed from office by the holders of a majority of the relevant class of shares or shall in writing offer to resign and the Board shall resolve to accept such offer.
- 22 Any such appointment or removal of a director under Article 19 or 20 shall be in writing served on the Company and signed by the holders of a majority of the issued 'A' Shares or 'B' Shares (as the case requires). In the case of a corporation such document may be signed on its behalf by a director or the secretary thereof or by its duly appointed attorney or duly authorised representative.
- 23 Without prejudice to the terms of Articles 21 and 22, the Board shall have the power at any time to appoint any person to be a director either to fill a casual vacancy or as an additional director, but so that the total number of directors shall not thereby exceed the maximum number provided by Article 9. Such director shall not constitute an 'A' Director or a 'B' Director. Any person so appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election by Ordinary Resolution of the Company.
- 24 The Board may from time to time appoint one or more of their body to be the holder of the office of Chairman) on such term and for such period as the Board may (subject to the provisions of all applicable statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

Remuneration of Directors

- 25 Any director who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine. Regulation 82 shall be extended accordingly.

Proceedings of the Board

- 26 The quorum for a meeting and throughout a meeting of the Board shall be two directors of which one shall be an 'A' Director and one a 'B' Director, provided that if within half an hour of the time appointed for the holding of any meeting of the Board either an 'A' Director or a 'B' Director shall not be present the directors present shall resolve to adjourn that meeting to a specified place and time (which shall not be earlier than three nor later than seven days after the date originally fixed for the meeting). At such adjourned meeting the quorum necessary for the transaction of the business of the Board shall be any two directors. An alternate director shall be counted in the quorum in the same capacity as his appointor but so that not less than two individuals will constitute the quorum. Regulation 89 shall not apply.
- 27 No director shall be appointed otherwise than as provided in these Articles. Regulation 90 shall be modified accordingly.
- 28 A committee of the Board shall include at least one 'A' Director and one 'B' Director and the quorum for a meeting of any such committee shall throughout the meeting be at least one 'A' Director and one 'B' Director.

- 29 All business arising at any meeting of the Board or of any committee of the Board shall be determined only by resolution. The Chairman shall not be entitled to a second or casting vote. Regulation 88 shall be modified accordingly.
- 30 On any matter in which a director is in any way interested he may nevertheless vote and be taken into account for the purposes of a quorum and (save as otherwise agreed) may retain for his own absolute use and benefit all profits and advantages directly or indirectly accruing to him thereunder or in consequence thereof. Regulations 94 to 98 shall be modified accordingly.

Indemnity

- 31 Subject to the provisions of and so far as may be permitted by law, every director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court. Regulation 118 shall not apply.

APPENDIX

ILLUSTRATIVE CALCULATION OF CONVERSION OF MANAGEMENT SHARES

Assumptions

1. Initial valuation of businesses (1 April 1996)

	Ordinary Equity		Preference Shares		Total Value
	£'000/'000	%	£'000/'000	%	£'000
Quilter Goodison	7,000	70.0	10,750	82.7	17,750
Foster & Braithwaite	2,500	25.0	2,250	17.3	4,750
Management (p)	500	5.0	-	-	500
	<u>10,000</u>	<u>100.0</u>	<u>13,000</u>	<u>100.0</u>	<u>23,000</u>

Initial valuation of vendor shares (£'000) = 7,000 + 2,500 + 10,600 + 2,400 = 22,500

(Articles 4.4.6 (i) (a))

Number of management shares (x) = 500,000

2. Valuation of business on Conversion Date (say 31 March 1998)

Equity value (say)	£22,000,000
Preference value*	<u>£13,000,000</u>
Total value	<u>£35,000,000</u>

* all dividends payable have been paid

3. Dividends

No dividends have been paid on ordinary equity. Preference dividends have been paid as follows (£'000):

	Net dividend	ACT credit	Gross dividend
31 March 1997	£455	114	569
30 September 1997	£455	114	569
31 March 1998	£455	114	569

Calculation

1. IRR(R)

$$\text{Vendor equity value (£'000)} = \frac{(10,000 - 500)}{10,000} \times (35,000 - 13,000) = 20,900$$

$$\text{Exit value (Articles 4.4.6) (£'000)} = 20,900 + 13,000 = 33,900$$

Date t (months)	1 April 1996 0	31 March 1997 12	30 Sept 1997 18	31 March 1998 24
Initial valuation of vendor shares	(22,500)	-	-	-
Gross dividends	-	569	569	569
Exit value	-	-	-	33,900
Cash flow (£'000)	(22,500)	569	569	34,469

$$r = 1.957\%$$

$$R = 26.185\%$$

2. Percentage of New Ordinary Shares on Conversion (z)

$$\text{OSC} = 10,000,000$$

$$p = 500,000$$

$$a = \frac{500,000}{10,000,000} \times 100\% = 5\%$$

$$s = \frac{500,000}{\text{EOSC}} \times 100\%$$

$$z = 5\% + \left(\left(\frac{26.185\% - 10\%}{30\% - 10\%} \right) \times \left(\frac{5\% \times 15\%}{5\%} \right) \right) - \frac{500,000}{\text{EOSC}} \times 100\%$$

$$z = 17.139\% - \frac{500,000}{\text{EOSC}} \times 100\%$$

$$\text{Management ordinary shares as \% of EOSC} = 17.139\%$$

$$\text{Hence vendor share} = 82.861\%$$

$$\text{EOSC} = \frac{9,500,000}{82.861\%} = 11,465,000$$

$$z = 17.139\% - 4.361\% = 12.778\%$$

$$\begin{aligned} \text{Number of new management ordinary shares (y)} &= 12.778\% \times 11,465,000 \\ &= 1,465,000 \end{aligned}$$

Exit value = Vendor Equity value + Preference value

Preference value = Par Value + dividends payable but unpaid

Vendor Equity value = $\frac{(\text{OSC} - p)}{\text{OSC}} \times (\text{Total Value} - \text{Preference Value})$

Total value = Aggregate value of all equity

Management Ordinary shares as % of EOSC = $a + \left(\left(\frac{(\text{IRR} - 10\%)}{30\% - 10\%} \right) \times \left(\frac{a \times 15\%}{5\%} \right) \right)$