

Company No: 3145771



WRITTEN RESOLUTIONS OF THE MEMBERS OF
VETERINARY PRACTICE INITIATIVES LIMITED
(the "Company")

PURSUANT TO SECTION 381A OF
THE COMPANIES ACT 1985

The following resolutions have been passed, pursuant to and in accordance with Section 381A of the Companies Act 1985, by the undersigned, being all the members of the Company:

1. THAT the share capital of the Company be altered by the redesignation of each of the existing issued 300 ordinary shares of £1 each in the capital of the Company as 300 deferred shares of £1 each in the capital of the Company, such shares having the rights and being subject to the restrictions set out in the Articles of Association of the Company proposed to be adopted by resolution number 9 below.
2. THAT the share capital of the Company be altered by the redesignation of the existing authorised but unissued 700 ordinary shares of £1 each in the capital of the Company as 7,000 ordinary shares of 10 pence each in the capital of the Company, such shares having the rights and being subject to the restrictions set out in the Articles of Association of the Company proposed to be adopted by resolution number 9 below.
3. THAT the authorised share capital of the Company be increased by the creation of:-
 - 3.1 1,546,880 "A" ordinary shares of 10 pence each; and
 - 3.2 2,743,001 ordinary shares of 10 pence each;

all such shares having the respective rights and being subject to the respective restrictions set out in the Articles of Association of the Company proposed to be adopted by resolution number 9 below, in the case of the ordinary shares, ranking pari passu with, and having the same rights and being subject to the same restrictions as the ordinary shares in the capital of the Company created by way of redesignation in resolution 2 above.


4. THAT:-
 - 4.1 pursuant to and in accordance with Section 80 of the Companies Act 1985, the Directors be generally and unconditionally authorised to exercise for the period of 5 years from the date when this resolution is passed all the powers of the Company to allot relevant securities up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company (as augmented by resolution 3 above);

- 4.2 pursuant to such authority, the Directors may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period;
- 4.3 words and expressions defined in or for the purposes of Section 80 of the Companies Act 1985 shall have the same meanings in this resolution.
5. THAT:-
- 5.1 the Directors shall have general power to allot equity securities wholly for cash, pursuant to and during the period of the authority contained in resolution 4 above, as if section 89(1) of the Companies Act 1985 did not apply to any such allotment;
- 5.2 by such authority and power, the Directors may during such period make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period; and
- 5.3 words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall have the same meanings in this resolution.
6. THAT notwithstanding any existing provisions of the Memorandum or Articles of Association of the Company or any personal interest of any of the directors of the Company the documents (as the same may be amended, varied, supplemented, novated or substituted from time to time) (the "Documents") and the events referred to below in connection with the acquisition by the Company of the business of, and house and premises situated at, Kelperland Veterinary Centre, Exotic Animal Centre and Windsor Surgery carried on by Stephen Cooke (the "Acquisition") be and are hereby approved;
- (a) the execution by the Company of a revolving credit facility letter to the Company from the Governor and Company of the Bank of Scotland (the "Bank") (the "Revolving Credit Facility Letter") pursuant to which the Bank has agreed to make available a revolving credit facility of up to £1,000,000 to the Company for the purposes of funding the Acquisition, future acquisitions of the business and assets of veterinary practices and its working capital needs following completion of the Acquisition;
- (b) the execution by the Company of a working capital facility letter addressed to the Company from the Bank (the "Working Capital Facility Letter") pursuant to which the Bank has agreed to make available a £100,000 working capital facility to fund the working capital requirements of the Company;
- (c) the execution by the Company of a debenture (the "Debenture") in favour of the Bank pursuant to which the Company would charge by way of fixed and floating charge all of its property, assets and undertaking both present and future to the Bank to secure, inter alia, the liabilities and obligations of the Company under the Revolving Credit Facility Letter and the Working Capital Facility Letter on the terms of the Debenture;
- (d) the entry by the Company into an assignment of key man life policy and an additional assignment of a key man life policy after the date of the Acquisition

- (together the "Assignments") pursuant to which the Company would assign the benefit of the policies referred to therein to the Bank to secure, inter alia, the liabilities and obligations of the Company under the Revolving Credit Facility Letter and the Working Capital Facility Letter on the terms of the Assignment;
- (e) the entry by the Company into an inter creditor agreement (the "Inter Creditor Agreement") to be entered into between the Bank (1), the Subordinated Creditors (as defined therein) (2), and the Company (3) pursuant to which the parties thereto agree to regulate their respective priorities on the terms of the Inter Creditor Agreement;
 - (f) the entry by the Company into the hedging arrangements between the Company and the Bank to hedge the Company's interest rate exposure in relation to facilities made available by the Bank to the Company;
 - (g) the execution by the Company of a disclosure letter addressed to the Bank;
 - (h) the delivery to the Bank by the Company of certain certificates and other documents pursuant to the Revolving Credit Facility Letter as set out in Schedule 1 of the Revolving Credit Facility Letter (together the "Condition Precedent Documents"); and
 - (i) the Company giving a notice of drawdown under the Revolving Credit Facility Letter drawing down the facilities to be made to the Company under that agreement by the Bank.
7. THAT notwithstanding any personal interest of the directors, including that they are directors and/or shareholders of the Company the board of directors of the Company be and it is hereby specifically authorised, empowered and directed in the name of and on behalf of the Company to;
- (a) execute and deliver the Documents in the forms produced to the meeting or with such amendments as they shall in their discretion approve; and
 - (b) enter into such documentation and take such action as may be required in order to carry out the matters referred to above.
8. THAT any act done or documents executed pursuant to any other resolutions set out above should be valid, effective and shall bind the Company and any limit on the borrowing or other powers of the directors of the Company contained in or incorporated by reference to the Company's articles of association is suspended, waived or abrogated as necessary to give effect to the foregoing resolutions. MR
9. THAT the Articles of Association contained in the printed document marked "A" and for the purpose of identification attached to these resolutions be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association of the Company. MP
10. THAT the provisions of the Company's Memorandum of Association with respect to the statement of the Company's objects be altered by the deletion of clause 3 of such Memorandum and by the substitution, in place of such clause 3, of the clauses 3 and 4. NA

contained in the printed document marked "B" and for the purpose of identification attached to these resolutions.

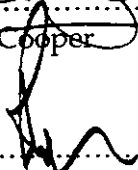
11. THAT the shareholder agreement dated 9 December 1997 to which the Company is a party be terminated and any director is authorised and directed to execute any instrument terminating such shareholder agreement.


.....
For and on behalf of
Yorkshire Investments LLC

Dated 4 July 1998


.....
Ashley Cooper

Dated 4 July 1998


.....
John Sheridan

Dated 4 July 1998

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THE COMPANIES ACTS 1985 TO 1989

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION
(as amended by written resolution date passed on 4 July¹ 1998)

of

VETERINARY PRACTICE INITIATIVES LIMITED

1. The name of the Company is VETERINARY PRACTICE INITIATIVES LIMITED*.
2. The Company's registered office is to be situated in England and Wales.
3. The object of the Company is:
 - 3.1 to carry on the business of purchasing, running and managing veterinary practices and to carry on any other business in connection with the aforementioned that is customarily or usually dealt with in connection therewith or naturally incidental thereto or ancillary or in addition thereto; and
 - 3.2 to carry on business as a general commercial company.
4. Without restricting in any way the scope of the objects and powers of the Company derived from section 3A of the Companies Act 1985, the Company has the following objects:-
 - 4.1 To carry on all or any of the businesses of general merchants and traders, cash and credit traders, manufacturers' agents and representatives, insurance brokers and consultants, estate and advertising agents, mortgage brokers, financial agents, advisers, managers and administrators, hire purchase and general financiers, brokers and agents, commission agents, importers and exporters, manufacturers, retailers, wholesalers, buyers, sellers, distributors and shippers of and dealers in all products, goods, wares, merchandise and produce of every description; to participate in, undertake, perform and carry on all kinds of commercial, industrial, trading and financial operations and enterprises; and to carry on all or any of the business of marketing and business consultants, advertising agents and contractors, general storekeepers,

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* The name of the Company was changed from Veterinary Business Consulting Limited with effect from 2 May 1997.

warehousemen, discount traders, mail order specialists, railway, shipping and forwarding agents, shippers, traders, capitalists and financiers, either on the Company's own account or otherwise, printers and publishers, haulage and transport contractors, garage proprietors, operators, hirers and letters on hire of and dealers in motor and other vehicles, craft, plant, machinery, tools and equipment of all kinds.

- 4.2 To carry on any other business or activity of any nature whatever which may seem to the Directors to be capable of being conveniently or advantageously carried on in connection or conjunction with any business of the Company, whenever authorised, or to be expedient with a view directly or indirectly to enhancing the value of or to rendering profitable or more profitable any of the Company's assets or utilising its skill, know-how or expertise.
- 4.3 To purchase or by any other means acquire, for any estate or interest, any property or assets of any kind and any rights or privileges of any kind over or in respect of any property of any kind or any interest in or over any such property, assets, rights or privileges, and to hold, develop and turn to account and deal with the same in such manner as may be thought fit; and to make experiments and tests and to carry on all kinds of research work.
- 4.4 To acquire or undertake the whole or any part of the business, goodwill, property, assets and liabilities of any person, firm, company or body carrying on or proposing to carry on any business which the Company is authorised to carry on or having any property of any kind suitable for the Company's purposes.
- 4.5 To acquire an interest in, amalgamate with, or enter into partnership or any arrangement for sharing profits or losses or for co-operation or for mutual assistance with, any person, firm, company or body or for subsidising or otherwise assisting any such person, firm, company or body; or to promote, or participate or assist in the promotion of, any company whether or not having objects similar to those of the Company.
- 4.6 To improve, manage, construct, repair, develop, exchange, alter, replace, remove, equip, maintain, administer, let on lease or otherwise mortgage, charge, sell, dispose of, turn to account, grant licences, options, rights and privileges in respect of, or otherwise deal with, all or any buildings, premises, structures, or facilities of any kind, whether for the Company's purposes or for sale, letting or hire to, or in return for any consideration from, any person, firm, company or body; and to contribute to or assist in or carry out any part of any such operation.
- 4.7 To sell, lease, grant any rights of any kind over, and in any other way deal with or dispose of, any or all of the undertaking, property, assets or

other rights of any kind of the Company for such consideration as may be thought fit.

- 4.8 To invest and deal with the moneys of the Company not immediately required in such manner as may from time to time be thought fit.
- 4.9 To draw, make, accept, endorse, discount, negotiate, execute and issue, and to buy and sell and deal with, cheques, bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments or securities; and to buy and sell foreign exchange.
- 4.10 To subscribe for, take, underwrite, purchase or otherwise acquire, and to hold, sell, dispose of, and deal with, any shares, stocks, debentures, debenture stocks, bonds, obligations or other securities or investments of any kind and any interests in the same or rights in respect of the same.
- 4.11 To lend, advance or deposit money or give credit, on such terms as may seem expedient for any purposes whatsoever whether with or without interest and whether with or without security, to or with any person, firm, company or body including but not, limited to any company which is for the time being a holding company, subsidiary or wholly-owned subsidiary (as defined in Section 736 of the Companies Act 1985) of the Company.
- 4.12 To borrow and raise money in any manner on any terms and for any purposes whatsoever and to secure or discharge any debt or other obligation or liability of or binding upon the Company in such manner as may be thought fit, including by mortgage, charge, standard security, lien or other security upon the whole or any part of the Company's undertaking, property or assets (whether present or future) and uncalled capital or by the creation and issue of debentures, debenture stock or other securities of any kind.
- 4.13 To guarantee or give indemnities or provide security on any terms and for any purposes whatsoever, whether with or without the Company receiving any consideration or advantage and whether or not in furtherance of the attainment of any object of the Company and by any method (including by mortgage or charge upon the whole or any part of the undertaking, property and assets (whether present or future) and uncalled capital of the Company) for the performance of any contracts or obligations, and the payment of any capital or principal (together with any premium) or dividends or interest on any securities, of any person, firm, company or other body (including any company which is for the time being a holding company of the Company, another subsidiary of any such holding company, a subsidiary or wholly owned subsidiary (as defined in Section 736 of the Companies Act 1985) or is otherwise associated with the Company in business).

- 4.14 To issue any securities which the Company has power to issue for any other purpose, by way of security or indemnity or in satisfaction of any liability undertaken or agreed to be undertaken by the Company.
- 4.15 To apply for, promote and obtain any statute, law, order or other licence of or from any authority for enabling the Company to carry any of its objects into effect or for effecting any modification of the Company's constitution or for any other purpose which may seem calculated directly or indirectly to promote or further the Company's interests; and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.
- 4.16 To enter into any arrangements with any government or authority (supreme, municipal, local or otherwise) that may seem conducive to the attainment of the Company's objects or any of them and to obtain from any such government or authority any charters, decrees, rights, privileges or concessions which the Company may think desirable; and to carry out, exercise and comply with any such charters, decrees, rights, privileges and concessions.
- 4.17 To control, manage, finance, subsidise, co-ordinate or otherwise assist in any way any person, firm, company or body in which the Company has a direct or indirect financial interest; to provide secretarial, administrative, technical, commercial and other services and facilities of all kinds for any such person, firm, company or body and to make payments by way of subvention or otherwise and any other arrangements which may seem desirable with respect to any business or operations of, or generally with respect to, any such person, firm, company or body.
- 4.18 To procure the Company to be registered or otherwise recognised in, or under the laws of, any territory outside England.
- 4.19 To pay all or any expenses incurred in connection with the promotion, formation and incorporation of the Company or to contract with any person, firm, company or body to pay the same and to pay commissions to brokers and others for underwriting, placing, selling, or guaranteeing the subscription of, any shares or other securities of the Company.
- 4.20 To establish, subscribe to and support any charitable, benevolent, national, public or useful object or any institution, association, society, fund or club or any other object or purpose which may be for the benefit, or be considered likely, directly or indirectly, to further the interests, of the Company or that of any company which is the holding company or the Company or a subsidiary of the Company or of any such holding company or that of any of their respective Directors or employees

(whether present or former) or members or which may be connected with any town or place where the Company carries on business.

- 4.21 To establish and maintain or contribute to any pension or superannuation funds for the benefit of, and to give or procure the giving of any emoluments, pensions, annuities, gratuities, donations or other allowances or benefits or charitable aid to, and generally to provide advantages, facilities and services (including establishing and supporting any institutions, associations, clubs or funds) for, any persons who are or have been Directors of or who are or have been employed by or who are serving or have served the Company or any company which is the holding company of the Company or a subsidiary of the Company or of any such holding company or is allied to or associated with the Company or any of the predecessors in business of the Company or of any such other company and the spouses, widows, widowers, children and other relatives and dependants of such persons; to make payments for and towards the insurance of any such persons; and to set up establish, support and maintain profit sharing schemes for the benefit of any of the employees of the Company or of any such holding or subsidiary or associated company.
- 4.22 To establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees or those of any company which is the Company's holding company or a subsidiary of the Company or of any such holding company or by or for the benefit of such other persons as may for the time being be permitted by law; and, to the extent permitted by law, to lend money to employees of the Company or of any such other company or of any other company which is allied to or associated with the Company with a view to enabling them to acquire shares in the Company or its holding company.
- 4.23 To purchase and maintain insurance for or for the benefit of any persons:-
- 4.23.1 who are or were at any time directors, officers, employees or auditors of:-
- (a) the Company; or
 - (b) of any other company (i) which is the Company's holding company or (ii) in which the Company or such holding company or any of the predecessors of the Company or such holding company has any interest (whether direct or indirect) or (iii) which is in any way allied to or associated with the Company ("such other company"); or

- (c) of any subsidiary undertaking (as defined in the Companies Act 1985, as amended by the Companies Act 1989) of the Company or such other company; or

4.23.2 who are or were at any time trustees of any pension fund in which any employees of the Company or such other company or subsidiary undertaking are interested;

including (without limitation) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution of their duties or powers;

and, to the extent permitted by law, otherwise to indemnify or exempt any such person against or from any such liability.

4.24 To distribute among the members of the Company in kind or in specie or otherwise in any way or by any means permitted by law, all or any property or assets of the Company of whatever nature (including any proceeds from any disposal of any such property or assets).

4.25 To do all or any of the things or matters set out above in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through agents, brokers, sub-contractors, trustees or otherwise and either alone or in conjunction with others.

4.26 To do all such other things as may be considered to be incidental or conducive to any of the above objects.

And it is hereby declared that the Company's objects, as set out in the preceding paragraphs of this Clause, shall, except in so far as expressly required by any such paragraph, be separate and distinct objects of the Company and shall not be in any way limited by reference to any other paragraph or the order in which such objects occur or the name of the Company.

5. The liability of the members is limited.

6. The Company's share capital is £1,000 divided into 1,000 shares of £1 each.

Company No: 3145771

**ARTICLES OF ASSOCIATION
OF
VETERINARY PRACTICE INITIATIVES LIMITED**

(Adopted by special resolution
passed [] 1998)

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Company No: 3145771

Companies Act 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

VETERINARY PRACTICE INITIATIVES LIMITED

(Adopted by
special resolution passed [] 1998)

1 Preliminary

The regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 in force at the time of adoption of these Articles (such Table being hereinafter called "Table A") shall apply to the Company save in so far as they are excluded or varied by these Articles and such regulations (save as so excluded or varied) and these Articles shall be the regulations of the Company. The following Regulations of Table A shall not apply to this Company: 3, 24, 40, 41, 47, 50, 64, 87, 89 and 118.

2 Interpretation

2.1 In these Articles and in Table A the following expressions have the following meanings unless inconsistent with the context:-

"Act"	the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force;
"A" Ordinary Shares"	the "A" ordinary shares of 10p each in the capital of the Company;
"Auditors"	the auditors for the time being of the Company;
"these Articles"	these articles of association, whether as originally adopted or as from time to time altered by special resolution;
"Controlling Interest"	an interest (within the meaning of schedule 13 part 1 and section 324 of the Act) in shares conferring in

	aggregate 50% or more of the total voting rights conferred by all the shares in the equity share capital of the Company for the time being in issue;
"Convertible Loan Stock"	the £37,500 unsecured convertible loan stock created by the Convertible Loan Stock Instrument;
"Convertible Loan Stock Instrument"	the instrument executed by the Company creating the Convertible Loan Stock;
"Deferred Shares"	the deferred shares of £1 each in the capital of the Company;
"clear days"	in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;
"Directors"	the directors for the time being of the Company or (as the context shall require) any of them acting as the board of directors of the Company;
"Due Proportion"	in the same proportion, as nearly as may be, as the nominal amount of a Shareholder's existing holding of a class of Shares bears to the total nominal amount of such class of Shares in issue ;
"Employee Shareholder"	a Shareholder who is an employee or director of the Company or any of its subsidiaries;
"Equity Shares"	the Ordinary Shares and "A" Ordinary Shares;
"executed"	includes any mode of execution;
"Group"	the Company and any subsidiary or associated company for the time being of the Company;
"Group Company"	any company for the time being in the Group;
"holder"	in relation to shares means the member whose name is entered in the register of members as the holder of the shares;
"ICTA"	the Income and Corporation Taxes Act 1988
"Investors"	each of National Westminster Bank PLC and Gartmore Venture Capital Trust PLC and any persons who are or become Investors for the purposes of the Subscription Agreement, or any nominee of National Westminster Bank PLC or Gartmore Venture Capital Trust PLC or of any such person;

"Investor Director"	the director appointed under Article 22;
"Listing"	the admission of any part of the equity share capital of the Company to the Official List of the London Stock Exchange Limited or the grant of permission by the London Stock Exchange Limited to deal in any of the Company's shares on the Alternative Investment Market of the London Stock Exchange Limited or on any other recognised investment exchange (as defined by Section 207 Financial Services Act 1986) and such permission becoming effective;
"Loan Stock"	the £1,007,812 unsecured loan stock created by the Loan Stock Instrument;
"Loan Stock Instrument"	the instrument executed by the Company creating the Loan Stock;
"Market Value"	as defined in Article 10.2;
"Member of an Investor's Group"	the Investors, any subsidiary of the Investors and any holding company of the Investors and any subsidiary of such holding company and any nominee of any of the foregoing and "Investor's Group" shall be construed accordingly;
"Profits"	<p>the profit on ordinary activities after interest payments by the Company and its subsidiaries and before taxation of the Company and its subsidiaries calculated on the historical cost accounting basis and shown in the audited consolidated profit and loss account of the Company and its subsidiaries for the relevant financial year but adjusted by:</p> <ul style="list-style-type: none"> (a) adding back any payment or provision which has been made for any dividend on any share capital of the Company or any of its subsidiaries; (b) adding back any sums transferred to reserve and any amortisation of goodwill; (c) disregarding extraordinary items; and (d) adding back any amount by which the aggregate charged in respect of emoluments payable to the Directors exceeds their entitlement, from time to time, to emoluments as permitted by their service agreements or terms of engagement and assuming these are not varied in breach of

① who are shareholders in the Company

	the Subscription Agreement;
"office"	the registered office of the Company;
"Ordinary Shares"	the ordinary shares of 10p each in the capital of the Company;
"Original Employee Shareholder"	<i>Anthony Cooper, John Sheridan and Peter Beaumont</i> those Employee Shareholders holding shares on the date of adoption of these Articles;
"Participating Dividend"	as defined in Article 4.1(a)(i);
"Prohibited Control"	as defined in Article 4.1(d);
"Sale"	the sale of the whole or substantially the whole of the undertaking of the Company or a subsidiary of the Company or more than fifty per cent (50%) of the equity share capital of the Company or a subsidiary of the Company ;
"seal"	the common seal of the Company (if any);
"secretary"	the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;
"Shareholder"	a holder for the time being of shares in the capital of the Company;
"Shares"	the issued shares in the capital of the Company from time to time and shall include any interest in a share;
"Specified Events"	a transfer of a Controlling Interest, a Listing or a Sale;
"Subscription Agreement"	the subscription agreement entered into on the same date as these Articles are adopted between the Managers (as defined therein) (1) the Company (2) and National Westminster Bank PLC and Gartmore Venture Capital Trust PLC (3);
"Supplemental Deed"	a deed supplemental to the Subscription Agreement substantially in the form set out in the Subscription Agreement;
"Transfer Notice"	as defined in Article 10.1;

"United Kingdom"

Great Britain and Northern Ireland.

- 2.2 Unless the context otherwise requires, words or expressions contained in these Articles and in Table A shall bear the same meaning as in the Act but excluding any statutory modification thereof not in force when these Articles become binding on the Company. Regulation 1 of Table A shall not apply to the Company.
- 2.3 The word "emoluments" shall include all salary and all items set out in paragraph 1(4) of schedule 6 to the Act.
- 2.4 Where any amount is stated to be Index Linked it shall be increased on 1st July in each year for the following period of 12 months. The first increase shall take place on 1st July 1999. The amount of the increase shall be the percentage increase (if any) in the retail price index published by the government for the preceding 12 months.

3 **Share capital**

- 3.1 The authorised share capital of the Company at the date of adoption of these Articles is £429,988 divided into 2,750,000 Ordinary Shares, and 1,546,880 "A" Ordinary Shares and 300 Deferred Shares. (1)
- 3.2 Subject at all times to Articles 4.4 and 5 and save as may be provided by regulation 110 of Table A and subject to any contrary direction given by the Company in general meeting by special resolution, all shares which are comprised in the authorised share capital of the Company from time to time which the Directors propose to issue shall first be offered, at par or at a premium and upon such other terms and conditions as the Directors may determine, to the members who are holders of the same class of shares as those to be issued at the time of the offer in proportion to the number of the existing shares of that class held by them respectively and at the same price. Each such offer shall be made by notice specifying the total number and class of shares being offered to the members holding shares of that class as a whole, the proportionate entitlement of the member to whom the offer is made and the price per share and shall require each member to state in writing within a period (not being less than fourteen days) specified in the notice whether he is willing to take any and, if so, what maximum number of the said shares up to his proportionate entitlement. An offer, if not accepted within the period specified as regards any shares, will be deemed to be declined as regards those shares. After the expiration of such period, those shares so deemed to be declined shall be offered in proportion as aforesaid to the persons holding shares of the same class who have, within the said period, accepted all the shares offered to them; such further offer shall be made in like terms in the same manner and limited by a like period as the original offer. Any shares not accepted pursuant to such offer or further offer as aforesaid or not capable of being offered as aforesaid except by way of fractions shall not be issued. Any shares released from the provisions of this Article by any such special resolution as aforesaid shall be under the control of the Directors, who may allot, grant options over or otherwise dispose of the same to such persons, on such terms, and in such manner as they think fit. No share shall be issued at a discount or otherwise in breach of the provisions of these Articles

or of the Act.

- 3.3 Subject to Article 4.4 and any special rights conferred upon the holders of any shares or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by special resolution determine.
- 3.4 Subject to the Act, any preference shares may be issued on terms that they are, or at the option of the Company are to be liable, to be redeemed on such terms and in such manner as the Company may by special resolution determine.
- 3.5 Regulation 4 of Table A and, in accordance with section 91(1) of the Act, sections 89(1) and 90(1) to (6) (inclusive) of the Act shall not apply to the Company.

4 **Rights attaching to shares**

4.1 **Income**

(a) **"A" Ordinary Shares**

- (i) Subject to Article 4.1(d), the holders of "A" Ordinary Shares shall be entitled to receive, in priority to the holders of the Ordinary Shares as a class, in respect of each financial year from the first financial year ending on or after 31 December 2000, a cumulative preferential net cash dividend (the "Participating Dividend") of a sum which is equal to ten per cent (10%) of the Profits for the relative financial year.
- (ii) The Participating Dividend (if any) shall be paid four months after the financial year end in question provided that if, due to delays in the preparation of the accounts, the Participating Dividend cannot be calculated by the date it is due for payment there shall (subject to the provisions of the Act) be paid forthwith an interim dividend in respect of the Participating Dividend of a sum equal to fifty per cent (50%) of the last Participating Dividend payable. The next and (if appropriate) any subsequent Participating Dividend shall be adjusted to take account of any overpayment or underpayment in respect of the said interim dividend which becomes apparent when the audited accounts are available.

(b) **Further distributions**

The balance of any profits resolved to be distributed in any financial year or period shall be distributed:

- (i) first, in paying to the holders of Ordinary Shares a net cash dividend of a sum per Ordinary Share which is up to or equal to the amount paid, per "A" Ordinary Share, to the holders of "A" Ordinary Shares by way of Participating Dividend for the financial year in question; and
- (ii) thereafter, amongst the holder of the Equity Shares pro rata according to the par value of the Equity Shares held by each such shareholder.

The entitlement of the holders of Ordinary Shares to receive a dividend pursuant to paragraph (i) above shall be dependent upon the Directors lawfully resolving to make a distribution in relation to the financial year in question and shall not be cumulative. Without prejudice to any other applicable principle of law, the Directors may not lawfully resolve to make a distribution pursuant to paragraph (i) above unless:

- (aa) all amounts (of both principal and interest) due or outstanding under the Loan Stock and all amounts of interest due or outstanding under the Convertible Loan Stock have been paid in full so that, for the avoidance of doubt, all Loan Stock has been repaid in full;
- (bb) there are no other amounts due to the Investors by the Company which have not been paid in full;
- (cc) the Company has sufficient distributable profits for this purpose;
- (dd) the Company has, in the reasonable opinion of the Directors, sufficient available cash resources (taking account of its known and reasonably anticipated requirements for working capital) to fund the distribution.

but shall otherwise be permitted to do so.

(c) Declaration and payment of dividends

- (i) Subject to the provisions of paragraph (iii) below, every sum which shall become payable by the Company on any due date ("dividend date") in respect of the "A" Ordinary Shares in accordance with the foregoing provisions of this Article 4 shall on that dividend date ipso facto and without any resolution of the Directors or of the Company in general meeting (and notwithstanding anything provided in Regulations 102 to 104 (inclusive) of Table A) become a debt due from the Company and immediately payable.
- (ii) The Company shall take all necessary steps lawfully available to it to ensure that its profits available for distribution are sufficient to enable the lawful and prompt declaration and payment of the Participating Dividend and any other dividend payable on the due dates, such steps to include (without limitation) the distribution to the Company by its subsidiaries of the whole or part of the profits available for distribution from time to time of such subsidiaries and the preparation of such interim accounts of the Company and its subsidiaries by reference to which profits available for distribution might fall to be calculated but subject always to the provisions of Parts V and VIII of the Act.
- (iii) If, whether by reason of any principle of law or otherwise, the Company is unable to pay in full on a dividend date any Participating Dividend which would otherwise be required to be paid pursuant to the foregoing provisions of this Article on that dividend date (the "relevant dividend") then the following provisions shall apply without prejudice to the rights of the holders of the "A" Ordinary Shares to such dividends:
 - (aa) on the dividend date the Company shall pay to such holders on

account of the relevant dividend the maximum sum (if any) which can then consistently with any such principle of law or other restrictive circumstance be properly paid by the Company;

○ (save where this arises because the Company is unable, by reason of law, to pay a dividend or is prohibited from doing so by The Governor and Company of the Bank of Scotland under the terms of Facility agreements entered into on the date of adoption of these Articles)

(bb) on every succeeding dividend date the Company shall pay to such holders on account of the balance of the relevant dividend for the time being remaining outstanding (until the relevant dividend shall have been paid in full) the maximum sum (if any) on each such succeeding dividend date respectively which can, consistent with any such principle of law or circumstance still prevailing, be properly paid by the Company; and

(cc) Interest shall accrue from day to day on the amount of the relevant dividend unpaid (plus the associated tax credit) at the rate of three per cent (3%) per annum above the base lending rate of National Westminster Bank PLC from time to time and shall become due as a debt of the Company and be paid at the same time as the amount to which it relates is paid or, if any such amount remains outstanding on 31st December or 30th June in any year, on such half-yearly dates to the extent accrued at that time.

(d) If the rights attributable to the "A" Ordinary Shares pursuant to this Article 4.1 would otherwise operate in such a manner as to result in the holder of such shares being in control of the Company within the terms of paragraph 9 of Schedule 28B of ICTA by reason of the operation of section 416(2)(b) or (c) of ICTA ("Prohibited Control");

(i) payment of such part of the dividend due to such holders as the auditors of the Company shall determine is sufficient to procure that the Company does not fall under the Prohibited Control of such holder shall be deferred so as to rank behind the dividends otherwise payable on the Equity Shares; and

(ii) any dividend deferred in accordance with Article 4.1(d)(i) above shall subject to this sub-article (d) become due and payable on the next dividend date in addition to any other dividends due to such holder on such date.

(e) The Deferred Shares shall not entitle the holders thereof to any dividend or other distribution whatsoever.

4.2 Capital

(a) On a return of assets on liquidation or capital reduction or otherwise (except upon the redemption of shares of any class or the purchase by the Company of its own shares), the assets of the Company available for distribution amongst Shareholders after payment of its liabilities shall subject to Article 4.1(b) be applied in the following manner and order of priority:

(i) first, in paying to the holders of the "A" Ordinary Shares 10p per share together with a sum equal to all unpaid arrears (including interest accrued in accordance with Article 4.1(c)(iii)(cc)) and

accruals of and the Participating Dividend calculated down to the date of the return of capital on the "A" Ordinary Shares;

- (ii) second, in paying to the holders of the Ordinary Shares 10p per share (or, if less, the amount paid up on such shares);
 - (iii) third, in paying to the holders of the Deferred Shares £1 per share (or, if less, the amount paid up on such shares); and
 - (iv) finally, in paying the balance to the holders of the Equity Shares *pari passu* as if the same constituted one class of share.
- (b) If the rights attributable to the holders of "A" Ordinary Shares pursuant to this Article 4.2 would otherwise operate in such a manner as to result in the holder of such shares being in Prohibited Control of the Company such part of the rights of the relevant holder to payment of capital in respect of the "A" Ordinary Shares and unpaid arrears, accruals and postponement of dividends shall be deferred to the rights of the holders of the Ordinary Shares pursuant to Articles 4.2(a)(ii) and (iii) above as is sufficient to ensure that such holder does not have Prohibited Control of the Company.

4.3 Voting

(a) "A" Ordinary Shares

Holders of the "A" Ordinary Shares shall be entitled to receive notice of and to attend and vote at any general meeting of the Company. Each such holder present in person or by proxy or by representative shall be entitled on a show of hands to one vote and on a poll to one vote for each "A" Ordinary Share held by him unless at the date when the notice convening such general meeting is sent to the Shareholders:

- (i) the Participating Dividend or any part of such dividend is in arrears; or
- (ii) the business of the meeting includes a resolution directly and adversely affecting, altering or abrogating the rights, privileges or restrictions attached to the "A" Ordinary Shares; or
- (iii) the Company's bankers have taken action to accelerate repayment of any senior loan earlier than the stated date of maturity and the bank has either made demand for repayment of moneys thereunder or has taken steps to enforce its security in respect thereof and in either case the holders of at least 90% of the "A" Ordinary Shares have given written notice thereof to the Company for the purposes of this Article 4.3; or
- (iv) any principal amount of Loan Stock required to be repaid pursuant to the terms of the Loan Stock Instrument remains

outstanding more than fourteen (14) days after its due date; or

- (v) any principal amount of Convertible Loan Stock required to be repaid pursuant to the terms of the Convertible Loan Stock Instrument remains outstanding more than fourteen (14) days after its due date; or
- (vi) any interest payable in respect of the Loan Stock or the Convertible Loan Stock is more than fourteen (14) days in arrears,

in which event each holder of "A" Ordinary Shares present in person or by proxy or by representative shall be entitled to one vote on a show of hands and on a poll to such number of votes for each "A" Ordinary Share held by him so that the voting rights conferred on all holders of "A" Ordinary Shares shall represent 95% of the voting rights attaching to all shares in the capital of the Company after the application of this vote enhancement.

(b) Ordinary Shares

The holders of the Ordinary Shares shall have the right to receive notice of and attend and vote at any general meeting of the Company. Each such holder present in person or by proxy or by representative shall be entitled on a show of hands to one vote and on a poll to one vote for each Ordinary Share held by him.

(c) Deferred Shares

The holders of the Deferred Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company whatsoever.

4.4 Further issues of preference shares

The Company shall not be entitled to issue any further shares ranking as regards participation in the profits and/or assets of the Company either in priority to or pari passu with the "A" Ordinary Shares save with the consent or sanction of the holders of the "A" Ordinary Shares given in accordance with the provisions of Article 5.

5 Class 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, only with the consent in writing of the holders of seventy five per cent (75%) of the issued shares of that class. Without prejudice to the generality of this article, the special rights attached to the "A" Ordinary Shares shall be deemed to be varied:-

- 5.1 by the grant of any option or other right to subscribe for shares (other than pursuant to any share option scheme approved in writing by the Investors) and by any alteration or increase or reduction or sub-division or consolidation of the

authorised or issued capital of the Company (other than in accordance with any subscription arrangements agreed to in writing by the Investors in the Subscription Agreement or otherwise) or of any of its subsidiaries, or any variation of the rights attached to any of the shares for the time being in the capital of the Company or of any of its subsidiaries; or

- 5.2 by the declaration or payment of any dividend (other than the Participating Dividend or any dividend declared, made or paid as permitted pursuant to Article 4.1(b)) or the making of any other distribution by the Company;
- 5.3 by the disposal of the undertaking of the Company or of any of its subsidiaries or any substantial part thereof or by the disposal of any share in the capital of any subsidiary of the Company; or
- 5.4 by the acquisition of any interest in any share in the capital of any company by the Company or any of its subsidiaries; or
- 5.5 by the application by way of capitalisation of any sum in or towards paying up any debenture or debenture stock of the Company; or
- 5.6 by any alteration of the restrictions on the powers of the Directors of the Company and its subsidiaries to borrow, give guarantees or create charges; or
- 5.7 by the winding up of the Company; or
- 5.8 by the redemption of any of the Company's shares or by the entering into of a contract by the Company to purchase any of its shares; or
- 5.9 by any alteration of the Company's memorandum or articles of association; or
- 5.10 by the appointment or removal of auditors to the Company; or
- 5.11 by any alteration of the Company's accounting reference date; or
- 5.12 by the entering into of a written service agreement with any director or connected person (as defined by section 839 ICTA) or the material variation of any such existing service agreement with any such person; or
- 5.13 by the calling of a meeting of the Company to effect or approve any matter which would by virtue of this article be a variation of the class rights of the "A" Ordinary Shares.

6 Lien

The Company shall have a first and paramount lien on all shares, whether fully paid or not, standing registered in the name of any person indebted or under liability to the Company, whether he shall be the sole registered holder thereof or shall be one of two or more joint holders, for all moneys presently payable by him or his estate to the Company whether or not in respect of the shares in question. Regulation 8 of Table A shall be modified accordingly.

7 Calls on shares and forfeiture

There shall be added at the end of the first sentence of regulation 18 of Table A, so as to increase the liability of any member in default in respect of a call, the words "and all expenses that may have been incurred by the Company by reason of such non-payment".

8 Share transfers

8.1 The Directors shall not register any transfer of shares in the Company except where:

- (a) the transfer is permitted by Article 9 (a "permitted transfer") or is compulsory by reason of any of Articles 10, 11 and 12 (a "compulsory transfer"); and
- (b) in all cases a Supplemental Deed duly executed by all relevant parties is laid before the meeting at which the transfer is to be approved or made available in connection with any written resolution of the Directors to approve the same.

8.2 Subject to Article 8.1 and Article 8.3, the Directors shall be obliged to register both a permitted transfer and a compulsory transfer.

8.3 The Directors may in their absolute discretion, and without assigning any reason for it, decline to register (i) any transfer of any share over which the Company has a lien; (ii) any transfer to more than four transferees; and/or (iii) any transfer comprising shares of more than one class.

9 Permitted transfers

9.1 **Transfers to family shareholders, trusts and nominees**

- (a) Any Shareholder may at any time transfer Shares:
 - (i) to a Privileged Relation of such Shareholder; or
 - (ii) to trustees to be held upon a Family Trust resident in the United Kingdom; or
 - (iii) to a nominee of the Shareholder or, where the Shareholder is a nominee for any other person, to that person or to another nominee for him provided that in any such case the transferor certifies to the Company that no beneficial interest in the shares passes by reason of the transfer,

provided that the maximum amount of Shares which can be transferred pursuant to paragraph (a) above shall not, without the prior written consent of the Investors, exceed fifty per cent (50%) of the Shareholder's holding of Shares at the date of adoption of these Articles.

(b) For the purposes of this Article:

- (i) the expression "Privileged Relation" in relation to a

Shareholder shall mean the spouse or widow or widower of the Shareholder and the Shareholder's children and grandchildren (including step and adopted children and their issue) and step and adopted children of the Shareholder's children; and

- (ii) the expression "Family Trust" shall, in relation to any Shareholder, mean trusts (whether arising under a settlement inter vivos or a testamentary disposition by whomsoever made or under an intestacy) under which no immediate beneficial interest in the Shares in question is for the time being vested in any person other than the Shareholder concerned or a Privileged Relation or such Shareholder and no power of control over the voting powers conferred by such Shares is for the time being exercisable by or subject to the consent of any person other than the trustee or trustees or the Shareholder concerned or a Privileged Relation of such Shareholder and the terms of which relating to the powers of the trustees and the identity of the trustees have been approved by the Investors.

9.2 Transfers by Investors

The Investors may at any time transfer shares to any Member of an Investor's Group without restriction provided that if subsequently such transferee ceases to be a Member of an Investor's Group, such transferee shall forthwith notify the Directors in writing that such event has occurred and be bound to transfer all Shares held by it to the original transferor or another Member of an Investor's Group.

9.3 Transfers with consent

A transfer of shares may be made to any person with the prior written consent of the Investors and Shareholders holding not less than ninety per cent (90%) of the voting rights attaching to the issued share capital of the Company at the time when such consent is given.

10 Pre-emption rights

- 10.1 Any person proposing to transfer any interest in any shares (a "Retiring Shareholder") other than pursuant to Article 9 shall give to the Company notice in writing referring expressly to this Article and indicating his desire to transfer his shares under its provisions (a "Transfer Notice"). The Transfer Notice shall be deemed to appoint the Directors as the agent of the Retiring Shareholder for the sale of shares specified in it (the "Sale Shares") at the price agreed in writing by the Retiring Shareholder and the Directors or, failing agreement with twenty eight (28) days of the Transfer Notice being given or deemed to have been given, at the Market Value. A Transfer Notice may provide that unless all the Sale Shares are sold by the Company, none shall be sold (a "Total Transfer Condition").

- 10.2 The Market Value shall be the price certified by an independent firm of chartered accountants (acting as experts and not arbitrators) mutually chosen by

the Retiring Shareholder and the Directors or, failing agreement within forty-two (42) days of the Transfer Notice being given or deemed to have been given, nominated on the application of either of them by the President or other senior officer for the time being of the Institute of Chartered Accountants in England and Wales to be in their opinion the fair value of the Sale Shares on a going concern basis as between a willing seller and a willing buyer ignoring any discount which may otherwise be appropriate because the Sale Shares constitute a minority interest in the Company and on the assumption that the Sale Shares are capable of transfer without restriction. The certificate as to Market Value shall be delivered by the accountants to the Company, which shall as soon as possible after receipt forward a copy of it to the Retiring Shareholder. The costs of obtaining the certificate shall be borne by the Company unless that shall be unlawful or the Retiring Shareholder shall revoke the Transfer Notice in which case the Retiring Shareholder shall bear the cost.

- 10.3 The Retiring Shareholder shall be entitled to revoke the Transfer Notice by giving notice in writing to the Directors within seven (7) days of the date on which the price is agreed in writing or, if later, receipt by him of the accountants' certificate (the "Withdrawal Period"). If a Retiring Shareholder revokes a Transfer Notice he may not subsequently transfer the Sale Shares (or any interest in them) otherwise than in accordance with these Articles.
- 10.4 Within seven (7) days after the expiry of the Withdrawal Period, the Directors shall offer the Sale Shares to each holder of the same class of shares as the Sale Shares (other than to the Retiring Shareholder) and, subject to holders of the same class of shares not indicating their willingness (either individually or in aggregate) to purchase some or all of the Sale Shares, to the other holders of shares. The offer shall be made by notice in writing, giving details of the price of the Sale Shares and inviting the relevant members to state in writing within twenty eight (28) days of receipt by them of this notice whether they are willing to purchase and, if so, what number of Sale Shares up to the number comprised in the Transfer Notice. At the expiry of this period the Directors shall allocate the Sale Shares to those holders of the same class of shares as the Sale Shares who have indicated their willingness to purchase the Sale Shares in their Due Proportion and then, if there are any Sale Shares which have not been allocated, to the other holders of shares who have notified their willingness to purchase Sale Shares in their Due Proportion.
- 10.5 If, after making the allocations pursuant to Article 10.4, Sale Shares remain unallocated the Directors shall forthwith offer them to the Company or, if the Investors so consent, to any person or persons selected by the Directors and approved by the Investors, who shall (subject, in the case of the Company, to due compliance with the Act) be entitled to purchase them at the agreed price at any time within forty-two (42) days from the date of this offer.
- 10.6 If the Sale Shares are subject to a Total Transfer Condition and the Company, selected persons and the Shareholders together do not offer to purchase all the Sale Shares or where there is no such condition but all the Sale Shares are not acquired in accordance with this Article 10, the Directors shall forthwith so inform the Retiring Shareholder by notice in writing. The Retiring Shareholder may retain the Sale Shares (or such of them as have not been acquired in accordance with this Article 10) or, at any time within six (6) months following receipt of this notice, transfer the Sale Shares (or such as have not been so

acquired) to any person on a bona fide sale, at a price not being less than the price agreed or certified under this Article 10 and on terms not materially more favourable as to timing of payment than would apply to the existing Shareholders accepting Sale Shares in accordance with this Article 10 provided that:

- (a) the Directors may require to be satisfied that such Sale Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the Transfer Notice without any deduction, rebate or allowance whatsoever to the purchaser and if not so satisfied may refuse to register the instrument of transfer; and
- (b) if the Transfer Notice contained a Total Transfer Condition the Retiring Shareholder shall not be entitled under this Article 10 to transfer any Sale Shares unless the whole of such Shares are transferred by him.

10.7 The Directors shall in writing notify the Shareholders (including the Retiring Shareholder) of the allocations made pursuant to Article 10.4 and the sale and purchase of the Sale Shares shall be completed within fourteen (14) days of receipt of this notice. If, after having become bound to transfer any Sale Shares to a transferee, a Retiring Shareholder defaults in so doing the Directors shall authorise some person to execute any necessary transfers in favour of the transferee, upon receipt of the purchase money enter the name of the transferee in the register of members of the Company as the holder of the shares in question and hold the purchase money in trust for the Retiring Shareholder. The receipt of the Company for the purchase money shall be a good discharge to the transferee, and the transferee shall not be bound to see to the application of it. After the name of the transferee 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.

11 **Limitation on transfer of control**

11.1 No sale or transfer of the Equity Shares (for the purposes of this Article 11.1 the "Specified Shares") shall be made which would result if made and registered in a person or persons (whether or not a body corporate) who was or were not a Shareholder or Shareholders on the date of adoption of these Articles obtaining a Controlling Interest in the Company without the previous written consent of the Investors unless before the transfer is lodged for registration the proposed transferee or transferees or his or their nominees has or have made an offer (stipulated to be open for twenty eight (28) days) to purchase all of the Equity Shares held by all the Shareholders (the "Offer Shares") at the Specified Price (as hereinafter defined) and on the same terms as the Specified Shares and the Shareholder to whom the offer was originally made shall procure that such offer remains open for acceptance by the holders of the Offer Shares for a period of twenty eight (28) days from the date of the said offer.

11.2 For the purpose of this Article:

- (a) the expressions "transferor" and "transferee" shall, without limitation, include respectively the renunciation of a renounceable

letter of allotment, the original allottee and the renouncee under any such letter of allotment; and

- (b) the expression the "Specified Price" shall mean a price per share at least equal to that offered or paid or payable by the proposed transferee or transferees or his or their nominees respectively for the Specified Shares to the holder or holders thereof plus an amount equal (in the relevant proportion) to any other consideration (in cash or otherwise) received or receivable by the holder or holders of the Specified Shares which, having regard to the substance of the transaction as a whole, can reasonably be regarded as an addition to the price paid or payable for the Specified Shares provided that:
 - (i) if any part of the price per Specified Share is payable otherwise than in cash any Shareholder holding Offer Shares may at his option elect to take a price per share of such cash sum as may be reasonably agreed by him having regard to the substance of the transaction as a whole; and
 - (ii) if any such sale of Specified Shares shall be made or proposed to be made to a person or persons connected (within the meaning of section 839 of the Income and Corporation Taxes Act 1988) with the Shareholder or Shareholders transferring such Shares or which is not made on arm's length terms, the offer shall be such price as would be equal to the Market Value for such Shares in the same way as if they were the subject of a Transfer Notice but so that no account shall be taken, in determining the Specified Price, of the size of the shareholding representing a minority shareholding in the Company.

11.3 All other regulations of the Company relating to the transfer of Shares or other interests and the right to registration of transfers shall be read subject to the provision of this Article 11.

12 **Deemed Transfer Notice and compulsory transfers**

12.1 **Cessation of employment**

- (a) Unless the holders of all the "A" Ordinary Shares consent in writing otherwise and subject to paragraph (b) below, whenever any Employee Shareholder ceases to be an employee or director of the Company or its subsidiaries (for whatever reason) and so holds neither office a Transfer Notice shall be deemed to have been served upon such cessation in respect of all shares held by the Employee Shareholder and all shares originally held by the Employee Shareholder but held by a Privileged Relation of his or the trustees of his Family Trust at the time of such cessation. Any Transfer Notice deemed to be given under this Article 12.1 shall be deemed also:-
 - (i) to incorporate a term that the sale price for the relevant shares shall be the Market Value; and
 - (ii) to incorporate a Total Transfer Condition; and

- (iii) be deemed to be irrevocable notwithstanding the terms of Article 10.3; and
 - (iv) in the case of a death or bankruptcy be deemed to have been given immediately prior to such death or bankruptcy.
- (b) Any Original Employee Shareholder who has ceased to be an employee or director may elect to retain such number of his Ordinary Shares as represents not more than 3 1/3% of the total issued Equity Shares at that time (or such larger number as the holders of a majority of the Ordinary Shares (excluding for these purposes, the Original Employee Shareholder who has ceased to be an employee or director) may agree) and which would otherwise be required to be subject to a deemed Transfer Notice in accordance with paragraph (a) above provided that:-
- (i) *during the* ~~the~~ Employee Shareholder ceases to be an employee or director ~~more than~~ two years after the date of adoption of these Articles by reason of death, ill-health, ~~retirement at or after age sixty-five~~ *or his dismissal or removal by the Company, in the case of Peter Beaumont without good cause and, in the case of the other Original Employee Shareholders, where the Company is entitled to dismiss forthwith;* *Other than*
 - (ii) at no time may the total number of Ordinary Shares held by ~~former~~ *or after such period the Original Employee Shareholders* exceed ten per cent *Shareholders* (10%) of the total issued Equity Shares from time to time. *be*

12.2 Purported transfer of Shares

If and when required by notice in writing by the Directors at the request of the holder or holders of a majority in nominal value of the other shares in the Company so to do (the "call notice"), a Shareholder who transfers or purports to transfer any Share in breach of the foregoing provisions of these Articles shall be bound to give a Transfer Notice in respect of all the Shares registered in the name of such Shareholder unless and to the extent that a valid transfer in respect of such Shares in favour of a person or persons to whom they may be transferred pursuant to Article 10 shall have been lodged for registration. In the event of such Shareholder failing to serve a Transfer Notice within thirty (30) days of the date of the call notice such Shareholder shall be deemed to have given a Transfer Notice at the expiration of such period of thirty (30) days and to have specified therein as the price per share the Market Value. The provisions of Article 10 shall mutatis mutandis apply.

12.3 Compulsory sale

- (a) If the holders of at least fifty per cent (50%) of the Ordinary Shares and the holders of at least seventy five per cent (75%) of the "A" Ordinary Shares (for the purposes of this Article 12.3 the "Sellers") intend to sell all of the Equity Shares held by them (the shares to be sold by the Sellers being referred to as the "Selling Shares") the Sellers shall have the right, if they so wish, to give to the Company not less than fourteen (14) days' notice in advance before selling the Selling Shares. That notice (the "Selling Notice") shall include details of the

who have ceased to be an employee or director

Ⓞ an employee or director by reason of ~~his~~ *his* dismissal or removal by the Company, in the case of Peter Beaumont without good cause, ¹⁷ in the case of the other Original Employee Shareholders, other than where the Company is entitled to dismiss forthwith.

Selling Shares and the proposed price for each Selling Share to be paid by the proposed purchaser, the place, date and time of completion of the proposed purchase being a date not less than fourteen (14) days from the date of the Selling Notice ("Completion").

- (b) Immediately upon receipt of the Selling Notice, the Company shall give notice in writing (a "Compulsory Sale Notice") to each of the Shareholders (other than the Sellers), giving the details contained in the Selling Notice, requiring them each to sell to the proposed purchaser at Completion all of their holdings of Equity Shares.
- (c) Each Shareholder who is given a Compulsory Sale Notice shall sell all of his shares referred to in the Compulsory Sale Notice at the highest price for the same class per Selling Share to be sold to the proposed purchaser on Completion by the Sellers, subject only to the Sellers completing the sale to the proposed purchaser.
- (d) If any Shareholder(s) (the "Defaulting Shareholder(s)") fails to comply with the terms of a Compulsory Sale Notice given to him, the Company shall be constituted the agent of each Defaulting Shareholder for the sale of his shares in accordance with the Compulsory Sale Notice and the provisions of Article 10.7 shall mutatis mutandis apply save that reference to "Retiring Shareholder" in Article 10.7 shall be deemed to be reference to "Defaulting Shareholder".

13 **General meetings**

The Directors may call general meetings and regulation 37 of Table A shall not apply to the Company.

14 **Notice of general meetings**

- 14.1 A notice convening a general meeting shall be required to specify the general nature of the business to be transacted only in the case of special business and regulation 38 of Table A shall be modified accordingly. The words "or a resolution appointing a person as a director" and paragraphs (a) and (b) in regulation 38 of Table A shall be deleted and the words "in accordance with section 369(3) of the Act" shall be inserted after the words "if it is so agreed" in that regulation.
- 14.2 All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the profit and loss account, balance sheet and the reports of the Directors and auditors, the appointment of and the fixing of the remuneration of the auditors and the giving or renewal of any authority in accordance with the provisions of section 80 of the Act.
- 14.3 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 Directors and to the auditors for the time being of the Company.

15 **Proceedings at general meetings**

- 15.1 No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business and at all times throughout the meeting thereafter; save as herein otherwise provided two Shareholders present in person or by proxy (or, being a corporation, by representative) shall be a quorum, of whom one must be a duly authorised representative of the Investors.
- 15.2 If a quorum is not present within half an hour from the time appointed for a general meeting, or ceases to be present, the general meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine.
- 15.3 If at an adjourned meeting a quorum for the purposes of Article 15.1 is not present within half an hour from the time appointed for the meeting the meeting shall be dissolved, unless the meeting was adjourned for 13 days or more and due notice in such regard was given to the Shareholders within 5 days of the adjournment whereupon the quorum at any such adjourned meeting shall be any two Shareholders present in person or by proxy (or, being a corporation, by representative).

16 **Votes of members**

- 16.1 In the case of an equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall not be entitled to a second or casting vote.
- 16.2 Regulation 54 of Table A shall not apply to the Company. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member entitled to vote who (being an individual) is present in person or by proxy (not being himself a member entitled to vote) or (being a corporate body) is present by a representative or proxy (not being himself a member entitled to vote) shall have one vote and, on a poll, every member shall have one vote for each share of which he is the holder.
- 16.3 The words "be entitled to" shall be inserted between the words "shall" and "vote" in regulation 57 of Table A.
- 16.4 A member shall not be entitled to appoint more than one proxy to attend on the same occasion and accordingly the final sentence of regulation 59 of Table A shall not apply to the Company. Any such proxy shall be entitled to cast the votes to which he is entitled in different ways.

17 **Alternate directors**

- 17.1 An alternate director shall be entitled to receive notice of all meetings of the Directors and of all meetings of committees of the Directors of which his appointor is a member (subject to his giving to the Company an address within the United Kingdom at which notices may be served on him), to attend and vote at any such meeting at which the director appointing him is not personally present and generally to perform all the functions of his appointor at such meeting as a director in his absence. An alternate director shall not be entitled as such to receive any remuneration from the Company, save that he may be paid by the Company such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct. Regulation 66 of Table A shall not apply to the Company.
- 17.2 A director, or any such other person as is mentioned in regulation 65 of Table A, may act as an alternate director to represent more than one director, and an alternate director shall be entitled at any meeting of the Directors or of any committee of the Directors to one vote for every director whom he represents in addition to his own vote (if any) as a director, but he shall count as only one for the purpose of determining whether a quorum is present and the final sentence of regulation 88 shall not apply to the Company.
- 17.3 Save as otherwise provided in the regulations of the Company, an alternate director shall be deemed for the purposes specified in Article 17.1 to be a director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him. Regulation 69 of Table A shall not apply to the Company.

18 **Appointment and retirement of directors**

- 18.1 The Directors shall not be required to retire by rotation and regulations 73 to 80 (inclusive) of Table A shall not apply to the Company.
- 18.2 The Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director.
- 18.3 The Directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of Directors to exceed any number determined in accordance with Article 21.1.

19 **Disqualification and removal of directors**

The office of a director shall be vacated if:-

- 19.1 he ceases to be a director by virtue of any provision of the Act or these Articles or he becomes prohibited by law from being a director; or
- 19.2 he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 19.3 he is, or may be, suffering from mental disorder and either:

- (a) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960; or
- (b) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or

19.4 he resigns his office by notice to the Company; or

19.5 he shall for more than six consecutive months have not participated without permission of the Directors in meetings of Directors held during that period and the Directors resolve that his office be vacated,

and regulation 81 of Table A shall not apply to the Company.

20 **Gratuities and pensions**

Regulation 87 of Table A shall not apply to the Company and the Directors may exercise any powers of the Company conferred by its memorandum of association to give and provide pensions, annuities, gratuities or any other benefits whatsoever to or for past or present directors or employees (or their dependants) of the Company or any subsidiary or associated undertaking (as defined in section 27(3) of the Companies Act 1989) of the Company and the Directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

21 **Proceedings of the Directors**

21.1 Unless and until the Company by special resolution shall otherwise determine, the number of Directors shall not be less than two nor more than eight.

21.2 The quorum necessary for the transaction of business of the Directors shall be 2, at least one of whom shall be the Investor Director if at the time of the Meeting the Investor Director has been appointed provided that if, having received at least seven days notice of a meeting, the Investor Director (or his alternate) is not present within one hour of the start of the meeting, those Directors present shall constitute a quorum).

21.3 At any meeting of the Directors each director (or his alternate director) present at the meeting shall be entitled to one vote.

21.4 In the case of an equality of votes at any meeting of the Directors the chairman of such meeting shall not be entitled to a second or casting vote. Regulation 88 of Table A shall be modified accordingly.

21.5 Subject to the provisions of the Act, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a director notwithstanding his office:

- (a) may be a party to or otherwise interested in any transaction or

arrangement with the Company or in which the Company is in any way interested;

- (b) may be a director or other officer of or employed by or be a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is in any way interested;
- (c) may, or any firm or company of which he is a member or director may, act in a professional capacity for the Company or any body corporate in which the Company is in any way interested;
- (d) shall not by reason of his office be accountable to the Company for any benefit which he derives from such office, service or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
- (e) shall be entitled to vote on any resolution and (whether or not he shall vote) be counted in the quorum on any matter referred to in any of Articles 21.5(a) to 21.5(d) (inclusive) or on any resolution which in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever and if he shall vote on any resolution as aforesaid his vote shall be counted.

21.6 For the purposes of Article 21.5:-

- (a) a general notice to the Directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall not be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified;
- (b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and
- (c) an interest of a person who is for any purpose of the Act (excluding any statutory modification not in force when these Articles were adopted) connected with a director shall be treated as an interest of the director and in relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

21.7 Any director including an alternate director may participate in a meeting of the directors or a committee of the Directors of which he is a member by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and, subject to these Articles and the Act, he shall be entitled to vote and be

counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

- 21.8 Regulation 88 of Table A shall be amended by substituting for the sentence:- "It shall not be necessary to give notice of a meeting to a director who is absent from the United Kingdom" the following sentence:- "Notice of every meeting of the directors shall be given to each director and his alternate, including directors and alternate directors who may for the time being be absent from the United Kingdom".
- 21.9 Regulations 94 to 97 (inclusive) of Table A shall not apply to the Company.

22 **The Investor Director**

- 22.1 The Investors shall be entitled to appoint one person as a director of the Company and to remove from office any person so appointed and (subject to such removal) to appoint another person in his place.
- 22.2 The Investor Director shall not be required to hold any Shares.
- 22.3 Any appointment or removal of the Investor Director shall be by signed instrument in writing served on the Company by the Investors and shall take effect on and from the date on which such instrument is lodged or deposited at the registered office of the Company.
- 22.4 Subject to section 303 of the Act, on any resolution to remove the Investor Director the Shares held by the Investors shall together carry at least one vote in excess of 75 per cent of the votes exercisable in respect of that resolution at the general meeting at which such resolution is to be proposed and if any such Investor Director is removed pursuant to section 303 of the Act the Investors may reappoint him or any other person as the Investor Director.

23 **Directors' borrowing powers**

Subject as hereinafter provided the Directors may exercise all the powers of the Company (whether express or implied):-

- 23.1 of borrowing or securing the payment of money;
- 23.2 of guaranteeing the payment of money and the fulfilment of obligations and the performance of contracts; and
- 23.3 of mortgaging or charging the property assets and uncalled capital of the Company and (subject to section 80 of the Act) of issuing debentures;

but so that:-

- 23.4 the Directors of the Company shall procure that the aggregate amount for the time being remaining undischarged by virtue of any of the foregoing operations by the Company and all subsidiaries of the Company and by virtue of any like operations by the Company and all subsidiaries of the Company (other than normal trade credit, any deferred consideration payable to a vendor on

acquisition of a practice and amounts due under the Loan Stock and the Convertible Loan Stock) but including any liability (whether ascertained or contingent) under any guarantee for the time being in force and including amounts due under any hire purchase, credit sale, conditional sale or leasing agreements (other than leases of real or heritable property) factoring agreements or agreements to discount invoices which can in accordance with current accounting practice be attributed to capital but excluding inter-company loans, mortgages and charges and guarantees given by one member of the Group for the benefit of another member of the Group) shall not without the previous sanction of the holders of seventy five per cent (75%) of the "A" Ordinary Shares exceed a sum of £1,250,000 (or, if greater, twice the amount of the Company's consolidated share capital and reserves as shown by its then latest published audited accounts);

23.5 no such sanction shall be required for the borrowing of any sum of money intended to be applied in the repayment (with or without premium) of any moneys then already borrowed and outstanding, notwithstanding that the same may result in such limit being exceeded;

23.6 no lender or other person dealing with the Company shall be concerned to see or enquire whether the limit imposed by this article is observed and no debt or liability incurred in excess of such limit shall be invalid and no security given for the same shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security or person to whom the liability is incurred at the time when the debt or liability was incurred or the security given that the limit hereby imposed has been or was thereby exceeded;

23.7 except with the previous sanction of the holders of seventy five per cent (75%) of the "A" Ordinary Shares no mortgage or charge shall be created on any part of the undertaking property or assets of the Company or any subsidiary of the Company other than charges in favour of The Governor and Company of the Bank of Scotland PLC ~~and floating charges granted to vendors of practices as security for deferred consideration due to them.~~

24 The seal

If the Company has a seal it shall be used only with the authority of the Directors or of a committee of the Directors. The Directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined, every instrument to which the seal is affixed shall be signed by one director and by the secretary or another director. The obligation under regulation 6 of Table A relating to the sealing of share certificates shall only apply if the Company has a seal. Regulation 101 of Table A shall not apply to the Company.

25 Disputes

In the event of disagreement as to the calculation of the Profits or as to the calculation of the Specified Price for the purposes of Article 11, or as to whether any dividend shall be due under the provisions of these Articles to the holders of any class of share capital in the Company, or as to the amount of such dividend, any such disagreement shall be referred to an umpire (acting as expert and not as arbitrator) nominated by the parties concerned (or in the event of disagreement as to nomination by the President for the time being of the Institute of Chartered Accountants in England and Wales on

application by any such party) whose decision shall be final and binding and the costs of such umpire shall be borne equally by the parties to the dispute or disagreement.

26 **Notices**

- 26.1 In regulation 112 of Table A, the words "by facsimile to a facsimile number supplied by the member for such purpose or" shall be inserted immediately after the words "or by sending it" and the words "first class" shall be inserted immediately before the words "post in a prepaid envelope".
- 26.2 Where a notice is sent by first class post, proof of the notice having been posted in a properly addressed prepaid envelope shall be conclusive evidence that the notice was given and shall be deemed to have been given at the expiration of forty-eight (48) hours after the envelope containing the same is posted. Where a notice is sent by facsimile receipt of the appropriate answerback shall be conclusive evidence that the notice was given and the notice shall be deemed to have been given two hours after transmission following receipt of the appropriate answerback during normal business hours (and otherwise at the opening of business on the next business day). Regulation 115 of Table A shall not apply to the Company.
- 26.3 If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least one national daily newspaper and such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day when the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.

27 **Winding up**

In regulation 117 of Table A, the words "with the like sanction" shall be inserted immediately before the words "determine how the division".

28 **Indemnity**

- 28.1 Subject to the provisions of section 310 of the Act every director (including an alternate director) or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the lawful execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 144 or section 727 of the Act in which relief is granted to him by the court, and no director (including an alternate 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 lawful execution of the duties of his office or in relation thereto. Regulation 118 of Table A shall not apply to the Company.
- 28.2 The Directors shall have power to purchase and maintain for any director, (including an alternate director) officer or auditor of the Company insurance

against any such liability as is referred in section 310 (1) of the Act and, subject to the provisions of the Act, against any other liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a director, (including as an alternate director) officer or auditor.

- 28.3 The Directors may authorise the directors of companies within the same group of companies as the Company to purchase and maintain insurance at the expense of the Company for the benefit of any director (including an alternate director), other officer or auditor of such company in respect of such liability, loss or expenditure as is referred to in Article 28.2.