

010783/10

Company No. 5089372

THE COMPANIES ACTS 1985 AND 1989

COMPANY LIMITED BY SHARES

WRITTEN RESOLUTION

OF

ACCRINGTON TECHNOLOGIES LIMITED ("Company")



We, the undersigned, being all the members of the Company for the time being entitled to receive notice of and to attend and vote at general meetings of the Company, hereby pass the following resolutions in the case of resolution number 1 as a Special Resolution, in the case of resolutions numbered 2 and 3 as Ordinary Resolutions and in the case of resolutions numbered 4 and 5 as Elective Resolutions of the Company pursuant to sections 381A of the Companies Act 1985 (as amended) and hereby agree that the said resolutions shall for all purposes be as valid and effective as if passed as a Special Resolution or Ordinary Resolutions or Elective Resolutions at a general meeting of the Company duly convened and held:

SPECIAL RESOLUTION

1. "THAT the new articles of association contained in the printed document in the form annexed marked "A" for the purpose of identification, be and the same are hereby approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association";

ORDINARY RESOLUTIONS

2. "THAT the two existing issued ordinary shares of £1.00 each be re-designated as one "A" ordinary share of £1.00 and one "B" ordinary share of £1.00, such "A" ordinary shares and "B" ordinary shares having the rights and restrictions as set out in the new articles of association of the Company adopted pursuant to resolution 1 above"; and
3. "THAT the remaining ninety eight unissued but authorised ordinary shares of £1.00 each be re-designated as follows:

3.1 forty nine of the unissued but authorised ordinary shares of £1.00 each into "A" ordinary shares of £1.00 each;

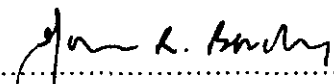
3.2 forty nine of the unissued but authorised ordinary shares of £1.00 each into "B" ordinary shares of £1.00 each,

such "A" ordinary shares and "B" ordinary shares having the rights and restrictions as set out in the new articles of association of the Company adopted pursuant to resolution 1 above";

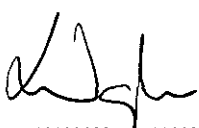
ELECTIVE RESOLUTIONS

4. "THAT pursuant to and in accordance with the provisions of section 386 of the Companies Act 1985 (as amended) the Company shall dispense with the obligation to appoint auditors annually"; and

5. "THAT pursuant to and in accordance with the provisions of Section 80A of the Companies Act 1985 (as amended) the directors shall be authorised for the purposes of Section 80 of the Companies Act 1985 (as amended) to allot relevant securities up to the amount of the Company's authorised but unissued share capital as at the date of this resolution for an indefinite period.


.....
Signed for and on behalf of
Merseyside Passenger Transport Executive

Dated: 1/10, 2004


.....
Signed for and on behalf of
Ecebs Limited

Dated: 1 October 2004

"A"

Company no. 5089372

THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

NEW ARTICLES OF ASSOCIATION

of

ACCRINGTON TECHNOLOGIES LIMITED ("COMPANY")

(adopted by a written resolution of the Company
passed on 1 October 2004)

1. PRELIMINARY

The regulations contained in Table A in the schedule to the Companies (Tables A to F) Regulations 1985 (as amended) ("**Table A**") shall apply to the Company save insofar as they are excluded or varied by or are otherwise inconsistent with these Articles. Regulations 8, 30, 50, 62, 64, 65, 73 to 81 (inclusive), 87 and 89 of Table A shall not apply to the Company and in addition to the remaining regulations of Table A (as varied hereby) the following Articles constitute the regulations for the management of the Company.

2. DEFINITIONS AND INTERPRETATION

2.1 In these Articles the following words and expressions shall (except where the context otherwise requires) have the following meanings:

"**Act**" means the Companies Act 1985 (as amended by the Companies Act 1989) and every other statutory modification thereof from time to time.

"**A Director**" means any Director appointed by the holders of a majority in nominal value of the A Shares from time to time under the provisions of Article 11.2.

"**A Shares**" means the A ordinary shares of £1 each in the capital of the Company from time to time.

"**Auditors**" means the auditors for the time being of the Company.

"A"

"B Director" means any Director appointed by the holders of a majority in nominal value of the B Shares from time to time under the provisions of Article 11.3.

"B Shares" means the B ordinary shares of £1 each in the capital of the Company from time to time.

"Board" means the board of directors for the time being of the Company or any duly appointed committee thereof.

"Business" means the business of developing and exploiting secure network enabled smartcard transaction technology primarily in the form of a secure application module array system and such other business as the Members may approve in writing.

"Business Day" means a day other than a Saturday or Sunday on which banks are open for business in Liverpool.

"Control" has the meaning ascribed thereto by section 840 of the Income and Corporation Taxes Act 1988 and a **"Change of Control"** occurs if a person who controls any body corporate ceases to do so or if another person acquires control of it.

"Deadlock" shall have the meaning given in Article 18.1.

"Deadlock Notice" shall have the meaning given in Article 18.1.

"Directors" means the directors for the time being of the Company.

"Member" means any registered holder for the time being of any class of share in the Company.

"Joint Venture Agreement" means the joint venture agreement entered into on the date of the adoption of these Articles and made between the Company and the Members.

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

"Subsidiaries" means the subsidiaries (as defined in section 736 of the Act) of the Company from time to time, and **"Subsidiary"** shall be construed accordingly.

"A"

- 2.2 Words incorporating the masculine gender only include the feminine and neuter genders and words incorporating the singular number only include the plural and vice versa.
- 2.3 Clause or Article headings are for ease of reference only and do not affect the construction or interpretation of these Articles.
- 2.4 References to persons shall include bodies corporate, unincorporated associations and partnerships.
- 2.5 References to writing shall include typewriting, printing, lithography, photography and facsimile messages and other modes of reproducing words in a legible and non-transitory form.
- 2.6 Words and expressions defined in or for the purposes of the Act or Table A shall have the same meanings in these Articles unless the context otherwise requires.

3. SHARE CAPITAL

- 3.1 The authorised share capital of the Company at the date of adoption of these Articles is £1,000 divided into 500 A Shares and 500 B Shares.
- 3.2 The A Shares and the B Shares shall constitute different classes of shares for the purposes of the Act and any alteration to the memorandum of association or these Articles shall be deemed to constitute an alteration to the rights attached to each separate class of shares but save as expressly otherwise provided in these Articles the A Shares and the B Shares shall rank *pari passu* in all respects.

4. SHARES

- 4.1 The unissued shares in the capital of the Company shall be under the control of the Directors who may (subject to section 80 of the Act) allot, grant options over or otherwise dispose of the same, to such persons, on such terms and in such manner as they think fit.
- 4.2 The Directors are generally and unconditionally authorised for the purposes of section 80 of the Act to exercise any power of the Company to allot and grant rights to subscribe for or convert securities into shares of the Company up to the amount of the authorised share capital with which the Company is incorporated at any time or times

"A"

during the period of five years from the date on which these Articles are adopted and the directors may, after that period, allot any shares or grant any such rights under this authority in pursuance of an offer or agreement so to do made by the Company within that period. This authority may, at any time (subject to the said section 80), be renewed, revoked or varied by ordinary resolution of the Company in general meeting.

- 4.3 Unless all the Members otherwise agree, in writing any Shares from time to time created shall be created as A Shares and B Shares in the same proportion (as nearly as may be) to the proportions that the then existing authorised and issued A Shares and B Shares bear to each other and all the Shares so created shall be offered to the existing Members for allotment and issue in accordance with the following provisions:

- 4.3.1 on each occasion the A Shares and the B Shares shall be offered to the Members at the same price per Share and on the same terms as to payment;
- 4.3.2 no Shares of either class shall be offered or issued otherwise than to Members already holding Shares of the same class without the prior written consent of all the Members; and
- 4.3.3 as between Members holding Shares of the same class the Shares of that class shall be offered amongst such Members in the same proportion (as nearly as maybe) to their existing holdings of Shares of that class or in such other proportions as all such Members shall unanimously agree in writing.

- 4.4 No variation of the rights attaching to any class of shares shall be effective except with:

- 4.4.1 the consent in writing of the holders of not less than three-quarters in nominal value of the Shares of the relevant class; or
- 4.4.2 the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Shares of the relevant class. To any such separate general meeting all the provisions of these Articles as to general meetings of the Company shall apply mutatis mutandis, but so that the necessary quorum shall be one holder of the relevant class present in person or by proxy and holding or representing not less than one-third in nominal

"A"

value of the Shares of the relevant class, that every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him and that any holder of Shares of the class present in person or by proxy or (being a corporation) by a duly authorised representative may demand a poll. For the purpose of this Article one holder present in person or by proxy or (being a corporation) by a duly authorised representative may constitute a meeting.

- 4.5 In accordance with section 91(1) of the Act, the provisions of sections 89(1) and 90(1) to (6) (inclusive) of the Act shall not apply to the Company.
- 4.6 Unless all the Members otherwise agree in writing no Shares shall be allotted on terms that the right to take up the Shares allotted may be renounced in favour of, or assigned, to another person and no person entitled to the allotment of a Share may direct that such Share be allotted or issued to any other person.
- 4.7 Except as otherwise provided in these Articles, the A Shares and the B Shares shall rank *pari passu* in all respects but shall constitute separate classes of shares.

5. LIEN

The Company shall have a first and paramount lien on every Share (whether or not it is a fully paid Share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of that Share and the Company shall also have a first and paramount lien on all Shares (whether fully paid or not) standing registered in the name of any person whether solely or as one of two or more joint holders for all monies presently payable by him or his estate to the Company but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share shall extend to any dividend or other amount payable in respect thereof.

6. CALLS

The liability of any Member in default in respect of a call shall be increased by the addition at the end of the first sentence of Regulation 18 of Table A of the words "and all expenses that may have been incurred by the Company by reason of non-payment of the call".

"A"

7. TRANSFER OF SHARES

- 7.1 No Member shall dispose of any interest in, or right attaching to, or renounce or assign any right to receive or subscribe for any Share (save as may be required in pursuance of his obligations under these Articles or otherwise with the prior written consent of Members holding in aggregate a majority of the A Shares and the B Shares then in issue (not counting for this purpose any Shares held by the Member in question) or create or permit to exist any charge, lien, encumbrance or trust over any Share or agree (whether subject to any condition precedent, condition subsequent or otherwise) to do any of such things except as permitted by these Articles or otherwise with the prior written consent of Members holding in aggregate a majority of the A Shares and the B Shares then in issue (not counting for this purpose any Shares held by the Member in question).
- 7.2 For the purpose of ensuring that a particular transfer of Shares is permitted hereunder the Directors may require any Member or any person named as transferee in any transfer lodged for registration or any other person who shall assert any right, title or interest to or in any Share to provide the Company with such information and evidence as the Directors may think necessary or relevant. Failing such information or evidence being furnished to the satisfaction of the Directors within a period of twenty eight days after such request the Directors shall be entitled to refuse to register the transfer in question and the Directors may serve a notice on the Member stating that the Member shall not, in relation to all Shares held by that Member, be entitled to be present or to vote in person or by proxy (or being a corporation, by authorised representative) at any general meeting of the Company or any meeting of holders of Shares of that class or to receive dividends on such Shares until such evidence or information has been provided to the Directors' satisfaction.
- 7.3 The Directors shall not refuse to register any transfer of a Share which is permitted under these Articles but may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any Share which would otherwise be permitted hereunder if it is a transfer of a Share on which the Company has a lien and the first sentence of Regulation 24 of Table A shall not apply to the Company.
- 7.4 Whenever a Share is transferred to a Member holding Shares only of another class such first mentioned Share shall ipso facto and forthwith be converted into and redesignated as a Share of such other class.

"A"

8. NOTICE OF GENERAL MEETINGS

The Company shall give notice of all general meetings of the Company to each Member whether or not that Member has given to the Company an address within the United Kingdom at which notices may be given to him and Regulation 112 of Table A shall be modified accordingly.

9. PROCEEDINGS AT GENERAL MEETINGS

- 9.1 The quorum for a general meeting of the Company or at any adjourned general meeting of the Company shall be two persons entitled to vote upon the business to be transacted of which one person shall be a Member or a proxy for a Member or duly authorised representative of a corporate Member holding A Shares and the other person shall be a Member or a proxy for a Member or a duly authorised representative of a corporate Member holding B Shares and regulation 40 of Table A shall be modified accordingly.
- 9.2 A poll may be demanded by any Member present in person or by proxy or (in the case of a corporate Member) by a duly authorised representative and Regulation 46 of Table A shall be modified accordingly.
- 9.3 In the case of an equality of votes whether on a show of hands or on a poll the Chairman shall not have a casting vote.
- 9.4 A Director (including an alternate Director) shall not require any shareholding qualification but shall nevertheless be entitled to receive notice of and attend and speak at any general meeting of the Company.
- 9.5 No business shall be transacted by any general meeting of the Company unless a quorum is present at the commencement of the meeting and also when that business is voted on.
- 9.6 If a quorum is not present within half an hour from the time appointed for a general meeting 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; and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed therefor such adjourned general meeting shall be dissolved.

"A"

- 9.7 Resolutions under section 303 of the Act for the removal of a director before the expiration of his period of office and under section 391 of the Act for the removal of an auditor before the expiration of his period of office shall only be considered by the Company in general meeting.
- 9.8 Upon any resolution under section 303 of the Act being considered by the Company in general meeting or at any class meeting for the removal as a director of an A Director then the holders of A Shares present at such meeting in person or by proxy or (being a corporation) by its duly authorised representative shall on any such resolution have twenty one votes for each Share registered in its name.
- 9.9 Upon any resolution under section 303 of the Act being considered by the Company in general meeting or at any class meeting for the removal as a director of a B Director then holders of B Shares being present at such meeting in person or by proxy or (being a corporation) by its duly authorised representative shall on any such resolution have twenty one votes for each Share registered in its name.

10. VOTES OF MEMBERS

- 10.1 Regulation 54 of Table A shall be read and construed as if the words "or by proxy" were inserted after the words "present in person" in the second line and the words "whether or" were inserted after the words "authorised representative" in the third line. In any case where the same person is appointed proxy for more than one Member he shall on a show of hands have as many votes as the Members for whom he is a proxy. Regulation 54 in Table A shall be modified accordingly.
- 10.2 An instrument appointing a proxy and any authority under which it is executed or a duly certified copy of such authority shall be delivered to the meeting at which the proxy is authorised to vote or at the time and place appointed for the taking of the poll on which the proxy is authorised to vote (as the case may be).
- 10.3 If at any meeting any Member holding A Shares is not present in person or by proxy or by duly authorised representative the votes exercisable on a poll at that meeting in respect of the A Shares shall be pro tanto increased so that such A Shares shall together entitle such Members to the same aggregate number of votes as could be cast in respect of all the A Shares if all the holders thereof were present.

"A"

- 10.4 If at any meeting any Member holding B Shares is not present in person or by proxy or by duly authorised representative the votes exercisable on a poll at that meeting in respect of the B Shares shall be pro tanto increased so that such B Shares shall together entitle such Members to the same aggregate number of votes as could be cast in respect of all the B Shares if all the holders thereof were present.
- 10.5 A resolution shall not be validly passed unless at least one Member holding A Shares and at least one Member holding B Shares shall vote in its favour.

11. APPOINTMENT AND NUMBER OF DIRECTORS

- 11.1 Unless and until otherwise determined by ordinary resolution the number of Directors (other than alternate Directors) shall not be less than two nor more than four, and there must be at least one A Director and at least one B Director on the Board at all times.
- 11.2 The holders of a majority in nominal value of the A Shares may from time to time appoint any person the identity of whom has been approved by a majority of the holders of B Shares (not to be unreasonably withheld or delayed) to be an A Director by notice given in accordance with the provisions of Article 11.4 and may in like manner remove any A Director and by like notice from time to time appoint any other person the identity of whom has been approved by a majority of the holders of B Shares (not to be unreasonably withheld or delayed) to be an A Director in the place of an A Director so removed, provided always that no more than two A Directors shall hold office at any one time.
- 11.3 The holders of a majority in nominal value of the B Shares may from time to time appoint any person the identity of whom has been approved by a majority of the holders of A Shares (not to be unreasonably withheld or delayed) to be a B Director by notice given in accordance with the provisions of Article 11.4 and may in like manner remove any B Director and by like notice from time to time appoint any other person the identity of whom has been approved by a majority of the holders of A Shares (not to be unreasonably withheld or delayed) to be a B Director in the place of a Director so removed provided always that no more than two B Directors shall hold office at any one time.
- 11.4 The removal of an A Director or a B Director shall be effected by notice in writing signed by the Member or Members making such removal (or in the case of a

"A"

corporate Member signed by a Director of that Member). The appointment of an A Director or a B Director shall be effected by notice in writing signed by the Member or Members making such appointment (or in the case of a corporate Member signed by a Director of that Member) **AND** the other Member or Members approving such appointment (such approval not to be unreasonably withheld or delayed). Notices in this Article 11.4, shall take effect when they are received at the registered office of the Company or on such later date (if any) as may be specified in such notice.

- 11.5 The Company may appoint any person who is willing to act to be a Director either to fill a vacancy or as an additional Director provided that at least one Member holding the majority of the A Shares and at least one Member holding the majority of the B Shares approves such appointment.
- 11.6 Every Director appointed pursuant to this Article 11 shall be entitled from time to time to make such disclosure to his appointor about the business and affairs of the Company and its subsidiaries as he shall in his absolute discretion determine.
- 11.7 The first Chairman of the Board shall be appointed from amongst the A Directors. Following repayment of all funds lent to the Company by Merseyside Passenger Transport Executive, the holders of the issued A Shares and B Shares respectively shall appoint on an alternate basis in each year one of the Directors appointed by them to be the chairman of the Board and that such chairman shall hold office until the conclusion of the next annual general meeting following his appointment provided always that if any chairman shall vacate office as chairman for any reason before the conclusion of the next annual general meeting following his appointment, the Member who appointed him shall appoint another Director to be chairman in his place until the conclusion of such annual general meeting. If the chairman for the time being is unable to attend any meeting of the Board, the Member who appointed him shall be entitled to appoint another Director to act as chairman in his place at such meeting.
- 11.8 The right to appoint and to remove directors under this Article shall be a class right attaching to the A Shares and the B Shares respectively.
- 11.9 If a Member who has appointed an A Director or a B Director in accordance with this Article 11 ceases to be a Member then any Director appointed by such former

"A"

Member shall be deemed to have been removed as from the date on which the former Member ceased to be a Member.

12. ALTERNATE DIRECTORS

- 12.1 Any Director (other than an alternate Director) may by writing under his hand appoint any other person (whether or not a Director) willing so to act to be an alternate Director and may remove from office an alternate Director so appointed by him. In these Articles, where the context so permits, the term "A Director" or "B Director" shall include an alternate director appointed by an A Director or a B Director as the case may be.
- 12.2 An alternate Director shall be entitled to receive notice of all meetings of the Directors and of all meetings of committees of Directors of which his appointor is a Member, to attend and vote at such meetings at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.
- 12.3 An alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent as if he were a Director but shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except such part (if any) of the remuneration otherwise payable to the Director appointing him as an alternate Director may by notice in writing to the Company from time to time direct.

13. RETIREMENT BY ROTATION AND AGE OF DIRECTORS

The Directors shall not be required to retire by rotation. No Director shall be required to retire or vacate his office, and no person shall be ineligible for appointment as a Director by reason of having attained a particular age.

14. DISQUALIFICATION AND REMOVAL OF DIRECTORS

The office of Director shall be vacated if any Director:

- 14.1 has an order made in respect of him under section of the 252 Insolvency Act 1986 or has a petition presented in respect of him under section 264 of that act or if he makes any arrangements or composition with his creditors generally;

"A"

- 14.2 becomes prohibited from being a Director by reason of any order made under section 16 of the Company Directors Disqualification Act 1986 or under any other statute;
- 14.3 in the reasonable opinion of all his co-Directors becomes incapable by reason of mental disorder of discharging his duties as a Director;
- 14.4 resigns his office by written notice to the Company;
- 14.5 shall for more than six months have been absent without the permission of the Directors from the meetings of the Directors held during that period and the Directors resolve that his office shall be vacated; or
- 14.6 is removed from office by his appointor pursuant to these Articles.

15. MEMBERS' CONSENT

Until such time as one Member shall become the holder or beneficial owner of 100% (per cent) in nominal value of the Shares none of the following matters shall be undertaken by the Company without the prior written approval of all the Members:

- 15.1 the acquisition of the whole or any part of any other business or undertaking (other than the purchase of raw materials and stock in the ordinary course of business) or the acquisition of or subscription for any shares or any option over shares in the capital of any company;
- 15.2 the making of any material change in the nature of the Business as carried on at the date of the adoption of these Articles;
- 15.3 the declaration or payment of any dividend;
- 15.4 the creation, allotment, redemption or issue of any shares or securities or the granting of any right to require the allotment, issue or redemption of any shares or securities;
- 15.5 the amendment of any provision or the making or addition to or deletion from any provision of its memorandum or these Articles;
- 15.6 the making of any increase, reduction, subdivision, consolidation, redemption or other variance of the share capital of the Company or the reduction of the amount (if any) standing to the credit of the share premium account or capital redemption reserve fund or any other reserve;

"A"

- 15.7 the making of an application for the admission of any part of the equity share capital of the Company to the Official List of London Stock Exchange Limited (the "**Stock Exchange**") or for the grant of permission by the Stock Exchange to deal in the same on the Alternative Investment Market of the Stock Exchange or on any recognised investment exchange (as that term is defined in the Financial Services Act 1986) or the entry into negotiations to effect a sale of the whole or substantially the whole of the undertaking business and assets of the Company;
- 15.8 the commencement of any action for winding up or dissolution or the making of an administration order or the making of any composition or arrangement with its creditors;
- 15.9 the changing of its accounting reference date or its Auditors or the removal of Grant Thornton as Auditors;
- 15.10 the changing of any of the accounting policies or principles normally adopted by it save as may be required from time to time to comply with legal requirements or with statements of standard accounting practice;
- 15.11 the varying of any of the Joint Venture Agreement, Facility Agreement, the Debenture, the Software Development Agreement, the Escrow Agreement, the Membership Agreement (once it has been entered into) and any Customer Licence Agreement (all as defined in the Joint Venture Agreement);
- 15.12 the disposal or licensing of any of the Intellectual Property (as defined in the Joint Venture Agreement) other than on the terms of the Customer Licence Agreement (as defined in the Joint Venture Agreement);
- 15.13 incurring any capital expenditure where the effect of such expenditure would be to cause the total capital expenditure of the Company in any accounting reference period (including total payments under hire purchase or leasing arrangements) to exceed £10,000 or to cause the total capital expenditure in one transaction to exceed £5,000 unless such capital expenditure is included in the Budget or the Business Plan (both as defined in the Joint Venture Agreement);
- 15.14 the sale, leasing, transfer or other disposal in any accounting reference period of any capital assets where the effect of such disposal would be to cause the aggregate book or market value (whichever shall be greater) of all disposals of capital assets of the

"A"

Company in such accounting reference period to exceed £10,000 or to cause the aggregate book or market value whichever shall be the greater of any one such disposal to exceed £5,000 or the sale, leasing, transfer or other disposal of any assets or any part of the business or undertaking which is fundamental to its existing business;

- 15.15 the acquisition or disposal of any freehold or leasehold property;
- 15.16 the entry into any hire purchase agreement, credit sale agreement, equipment leasing agreement, factoring agreement or agreement to discount invoices or borrow any amount raised by loan or overdraft which would have resulted in the total amount of borrowing of the Company exceeding at any one time the limit agreed unanimously by the Board from time to time or the passing of any resolution to increase the limit of such borrowings;
- 15.17 the giving of any credit (other than trade credit in the ordinary course of business) or the making of any loan;
- 15.18 the making of any payment, the lending of any money or the giving of any guarantee or indemnity or other commitment (except in the ordinary course of business and on an arms-length basis);
- 15.19 the creation of any mortgage, charge or other encumbrance over any part of its undertaking or assets other than that permitted by the Joint Venture Agreement and/or created by the Debenture and/or liens arising in the ordinary course of business;
- 15.20 the adoption of any budgets other than those provided for in the Joint Venture Agreement;
- 15.21 the entry into any transaction that is not in the ordinary course of business and on an arms-length basis, including without limitation entering into any partnership or joint venture;
- 15.22 the appointment of any employee or the making of any increase in the total remuneration of any employee;
- 15.23 the dismissal or removal of any employee or Director (save for the removal of a Director pursuant to Articles 13 or 14);

"A"

- 15.24 the creation of any holding company in respect of the Company;
- 15.25 the entry into any transaction or arrangement with any of its Members or Directors or any person who is connected (within the meaning of Section 839 of the Income and Corporation Taxes Act 1988) to any of its Members or Directors whether or not any other person shall be a party to such transaction or arrangement;
- 15.26 factoring or assigning any of its book debts;
- 15.27 establishing or amending any profit-sharing, share option, bonus or other incentive scheme of any nature for Directors or employees or former Directors or former employees of the Company; or
- 15.28 establishing or amending any pension scheme or granting any pension rights to any Director, employee, former Director or employee, or any member of such person's family.

16. PENSIONS

The Board may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension, provident or superannuation funds for the benefit of and give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company or of any Subsidiary or any body corporate which is an associate (within the meaning of section 52 of the Companies Act 1989) of the Company or of any Subsidiary or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid and holding any salaried employment or office in the Company or such other company and the spouses, widows, widowers, families and dependants of any such persons and also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well being of the Company or of any other such company as aforesaid or of any such person as aforesaid and make payments for or towards the insurance of any such persons as aforesaid and subscribe or guarantee money for any charitable or benevolent objects or for any exhibition or for any public, general or useful object and do any of the matters aforesaid either alone or in conjunction with any such other company as aforesaid. Subject always (if the Act shall so require) to particulars with respect to the proposed payment being disclosed to the Members and to the proposal being approved by the Company any Director holding any such employment or office shall be entitled to

"A"

participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

17. PROCEEDINGS OF DIRECTORS

17.1 Regulation 88 of Table A shall be read and construed as if the sentence "In the case of an equality of votes, the Chairman shall have a second or casting vote" was omitted.

17.2 The quorum necessary for the transaction of business of the Directors whether at a meeting of the Board or any duly appointed committee thereof shall be two Directors of which at least one must be an A Director and at least one must be a B Director. A person who holds office only as an alternate Director shall in the absence of his appointor be counted as part of the quorum whether or not he is also a Director and therefore counted as part of the quorum in his own capacity. No business shall be transacted at any meeting of the Directors unless a quorum is present at the commencement of the meeting and also when the business is voted on. No resolution of the Board shall be validly passed unless at least one A Director and at least one B Director shall vote in favour of it.

17.3 If a quorum is not present within 30 minutes after the time specified for the Directors meeting in the notice of meeting then it will be adjourned for five Business Days or such shorter period as the holders of a majority by nominal value of the A Shares and the B Shares shall otherwise agree.

17.4 Subject to the provisions of Article 15 the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any parts of its undertaking, property and uncalled capital and, subject to the provisions of the Act, to issue debentures, debenture stock and other securities, either outright or as security for any debts, liability or obligation of the Company or of any third party.

17.5 A Director may vote as a Director on any resolution concerning any contract or arrangement in which he is interested (directly or indirectly) including any appointment to office or employment with the Company or any body corporate in which the Director is interested or upon any matter arising thereout and if he shall so vote his vote shall be counted and he shall be counted in reckoning a quorum when any such contract or arrangement is under consideration and Regulations 94 and 97 of Table A shall be modified accordingly.

"A"

- 17.6 Any Director (or his alternate) may validly participate in the proceedings of a meeting of Directors or any committee of the Board by means of a communication device (including a telephone) which allows all the other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) to hear at all times all other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) and such Director (or alternate) shall be deemed to be present at such meeting, shall be counted in a quorum and shall be entitled to vote.
- 17.7 The Directors may appoint committees of the Board comprising of at least one A Director and one B Director to transact the day to day business of the Company.
- 17.8 Subject to the following, meetings of the Board shall be convened at regular intervals not exceeding three months and no less than five Business Days written notice shall be given to each of the Directors of such meeting, together with an agenda specifying the business to be transacted and copies of any documents to be tabled at the meeting. All meetings of the Board shall take place at 24 Hatton Garden, Liverpool L3 2AN unless otherwise unanimously agreed by the Board. Management meetings shall be convened no less frequently than once in every month in accordance with the provisions of clause 6 of the Joint Venture Agreement. Subject to the provisions of clause 6 of the Joint Venture Agreement the provisions of Article 17.8 shall apply to meetings of committees of the Board as they apply to meetings of the Board.
- 17.9 All decisions made at any meeting of the Directors or of any committee of the Directors shall be made only by resolution.

18. DEADLOCK

- 18.1 A **"Deadlock"** shall arise (and the provisions of this Article 18 shall apply) on the date on which either at any duly convened Board meeting a resolution is not passed because at least one of the A Directors fails to vote in favour of it whilst at least one of the B Directors votes in favour of it or vice versa, or at any duly convened general meeting of the Company either the holder of the majority of the A Shares or the holder of the majority of the B Shares (**"Non-Consenting Member"**) fails to vote in favour of any resolution proposed at the meeting whilst the other (**"Consenting Member"**) votes in favour of that resolution and in either case (in the reasonable opinion of either the Consenting or Non-Consenting Member) failure to agree

"A"

whether or not the resolution should be passed will have a material adverse effect on the Business and the difference cannot be resolved by good faith negotiation between the Board and the Consenting Member and Non-Consenting Member (as the case may be) within thirty Business Days or if at any meeting of the Board or of the Company in general meeting which has been re-convened (following an adjournment of the original meeting for lack of a quorum as required by these Articles) then either the Consenting Member or the Non-Consenting Member shall be entitled to give written notice (a "**Deadlock Notice**") to the other and the Company stating that a Deadlock has arisen. A Deadlock Notice must be served within thirty Business Days of the date upon which the Deadlock has arisen.

- 18.2 The Consenting Member and Non-Consenting Member shall procure that the matter giving rise to such Deadlock is referred to the Chief Executive, Director General or person of equivalent management seniority of such Member ("**Senior Management**") who shall then meet with the Chief Executive, Director General or person of equivalent management seniority in the other Member and in good faith endeavour to resolve the Deadlock within five Business Days of the issue of the Deadlock Notice.
- 18.3 If the Consenting Member and Non-Consenting Member are not able to resolve the Deadlock pursuant to Article 18.2 within the five Business Days period referred to in Article 18.2, the Consenting Member and Non-Consenting Member shall attempt to resolve the Deadlock by mediation in accordance with the Centre for Dispute Resolution ("**CEDR**") Model Mediation procedure 9th Edition (or if amended the current version at the time of the Dispute ("**CEDR Model Mediation Procedure**")).
- 18.4 To initiate a mediation pursuant to Article 18.3 a Member must give notice in writing ("**ADR Notice**") to the other Member addressed to its senior management and to the Chief Executive of CEDR requesting a mediation in accordance with Article 18.3 and such notice must be given within ten Business Days after the date upon which the time for the Consenting Member and Non-Consenting Member to resolve the Deadlock pursuant to Article 18.2 expired.
- 18.5 The Consenting Member and Non-Consenting Member will sign a mediation agreement in accordance with CEDR's Model Mediation Agreement (or in such other terms as may be agreed by the parties in writing) ("**Mediation Agreement**"). The

"A"

Mediation Agreement will be signed not less than seven days prior to the date fixed for the mediation of the Deadlock.

- 18.6 The mediation shall take place in Liverpool, and the language of the mediation will be English. The Mediation Agreement referred to in the CEDR Model Mediation procedure shall be governed by and construed and take effect in accordance with English law.
- 18.7 If the Consenting Member and Non-Consenting Member are unable to reach a settlement at the mediation, neither the Consenting Member nor Non-Consenting Member shall call the mediator(s) as witnesses in any arbitration or court proceedings involving or relating to the Deadlock.
- 18.8 If the Consenting Member and Non-Consenting Member are unable to resolve the Deadlock within twenty Business Days from the date the Deadlock matter is referred to the CEDR under Article 18.3 then either the Consenting Member or Non-Consenting Member may by notice in writing ("**Shoot-Out Notice**") to be given at any time within fifteen Business Days of the expiry of the twenty Business Day period referred to above offer to buy all (but not some only) of the other Member's Shares for cash at a price per Share specified in the Shoot-Out Notice. A Shoot-Out Notice once given shall be irrevocable. No other Member shall thereafter be entitled to serve a Shoot-Out Notice in relation to the same Deadlock.
- 18.9 If neither the Consenting Member nor Non-Consenting Member serves a Shoot-Out Notice within the period specified in Article 18.8, and the Deadlock remains unresolved, then the Members shall, as soon as reasonably practicable, use all their reasonable endeavours to secure a purchaser for the entire issued share capital of the Company at the best price reasonably obtainable in all the circumstances and to enter into and complete an agreement to effect such sale. If such a sale shall not have been completed within three months the Members shall, as soon as reasonably practicable, procure the passing of a resolution to wind up and liquidate the Company in accordance with the provisions of the Joint Venture Agreement.
- 18.10 Within ten Business Days of service of the Shoot-Out Notice, the recipient may by counter-notice to the server elect either to:
- 18.10.1 offer to purchase all (but not some only) of the server's Shares in the Company at a higher price per Share than that specified in the Shoot-Out

"A"

Notice provided that such higher price shall be no less than 105% (one hundred and five per cent) of the price specified in the Shoot-Out Notice; or

18.10.2 agree to sell all (but not some only) of its Shares in the Company to the server at the price per Share specified in the Shoot-Out Notice.

18.11 If no counter-notice is served by the recipient under Article 18.10 the recipient shall be deemed to have accepted the offer in the Shoot-Out Notice and the Members shall become bound to sell and purchase the Shares which are the subject of the Shoot-Out Notice accordingly.

18.12 If the recipient serves a counter-notice on the server in accordance with Article 18.10.1, the following provisions shall apply:

18.12.1 within ten Business Days of receipt of an offer to purchase the server's Shares in accordance with Article 18.10.1, the recipient may either agree to sell all (but not some only) of its Shares to the server of the Counternotice for the price per Share specified in the Counternotice or by further counter-offer make a further offer to purchase the other Member's Shares at a price which is not less than 105% of the price offered by the other Member in the previous counter-offer;

18.12.2 this procedure shall continue until such time as a Member fails to make a further counter-offer to purchase the other Member's Shares or agrees to sell all of its Shares to the other Member at a price specified in the last counter-offer;

18.12.3 if either Member fails to serve such a counter-notice within ten Business Days of receipt of a counter-notice from the other Member, such party shall be deemed to have elected to accept the offer contained in the last counter-notice so served.

18.13 Any sale or purchase of Shares pursuant to this Article 18 shall be completed at the registered office of the Company (or at such other place as the Members may agree) not later than ten Business Days after service of the final counter-notice when the purchaser of the Shares ("**Purchaser**") shall:

"A"

- 18.13.1 pay to the vendor of the Shares ("**Vendor**") the purchase price therefor determined in accordance with these Articles by banker's draft or telegraphic transfer against delivery of a duly executed transfer of the Shares to be sold and the relevant share certificates;
 - 18.13.2 procure the repayment by the Company to the Vendor of all and any amounts then due and owing to the Vendor by the Company; and
 - 18.13.3 procure the release of the Vendor from all and any guarantees or indemnities given by the Vendor to any third party in respect of any actual or contingent liabilities of the Company or provide or procure the provision of a counter-indemnity in the Vendor's favour in form and substance satisfactory to the Vendor.
- 18.14 If either the Consenting Member or Non-Consenting Member becomes bound to sell the Shares held or beneficially owned by it pursuant to the provisions of these Articles but fails to complete such sale within fourteen Business Days after becoming so bound, then without prejudice to any other remedies of the Purchaser, the Directors appointed by the Purchaser ("**Nominee(s)**") may on behalf of and as attorney for the Vendor execute a transfer of the said Shares in favour of the Purchaser and may register the Purchaser as the holder thereof and issue to the Purchaser a certificate for the same and may on behalf of the Vendor give a good receipt for the purchase price whereupon the Purchaser shall become indefeasibly entitled to those Shares. After the name of the Purchaser has been entered in the register of members of the Company in purported exercise of the aforesaid powers, the proceedings shall not be questioned by any person.

19. CAPITALISATION

Regulation 110 of Table A shall be read and construed as if the words "special resolution" were substituted for the words "ordinary resolution" in the first line thereof and on any occasion when Shares are allotted and distributed as fully paid pursuant to the provisions of Regulation 110 of Table A the Shares allotted to Members already holding A Shares shall forthwith be converted into A Shares and the Shares allotted to Members already holding B Shares shall forthwith be converted into B Shares.

"A"

20. SEALS AND EXECUTION OF DOCUMENTS

20.1 The Directors may provide a common seal for the Company and shall have power from time to time to destroy the same and to substitute a new seal in its place. The Directors shall provide for the safe custody of every seal of the Company.

20.2 Documents may only be executed on behalf of the Company if such execution is authorised by a resolution of the Directors or of a committee of the Directors which authority may be of a general nature and need not apply only to specific documents or transactions. Every document so authorised to be executed on behalf of the Company *unless otherwise authorised* shall be signed by one Director and the Secretary or by two Directors (whether or not the Directors have also resolved that the common seal shall also be affixed to such document).

21. INDEMNITY

21.1 Subject to the provisions of the Act and in addition to such indemnity as is contained in regulation 118 of Table A every Director, officer or official of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him in or about the execution and discharge of the duties of his office 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 the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which relief is granted to him by the court from liability for negligence default breach of duty or breach of trust in relation to the affairs of the Company.

21.2 The Company may purchase and maintain insurance against any liability falling upon its Directors or other officers or auditors which arises out of their respective duties to the Company or in relation to its affairs.