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The Companies Acts 1985 and 1989

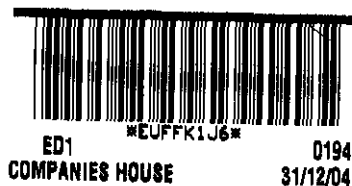
Company Limited by Shares

ARTICLES OF ASSOCIATION

of

KIDS ALLOWED LIMITED

(adopted on 23 December 2004)



ADDLESHAW GODDARD

Contents

| Clause | Page |
|---|------|
| 1 Definitions and interpretation | 1 |
| 2 Authorised share capital | 3 |
| 3 A Ordinary Shares and B Ordinary Shares | 3 |
| 4 Variation of class rights | 3 |
| 5 Proceeds of sale | 4 |
| 6 Issue of shares | 4 |
| 7 Lien | 5 |
| 8 Transfer of shares - general | 5 |
| 9 Permitted transfers | 6 |
| 10 Voluntary transfers | 8 |
| 11 Compulsory transfers | 10 |
| 12 Founders' Drag Along Option | 13 |
| 13 Tag along right | 14 |
| 14 General meetings | 15 |
| 15 Proceedings at General Meetings | 15 |
| 16 Number of directors | 15 |
| 17 Investor directors, Founder directors and the chairman | 15 |
| 18 Alternate directors | 16 |
| 19 Proceedings of directors | 17 |
| 20 Retirement of directors | 17 |
| 21 Notices | 17 |
| 22 Indemnity | 18 |

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1 Definitions and interpretation

1.1 In these articles, unless the context otherwise requires:

A Ordinary Shares means the A Ordinary Shares of £1 each of the Company

acting in concert has the meaning ascribed to it by the City Code on Takeovers and Mergers as in force and construed at the Investment Date

Acquisition Agreement means the agreement dated 13 August 2004 between KAL(1) and the Company (2) whereby the Company agreed to acquire certain assets of KAL(1)

Asset Sale means the disposal by any one or more members of the Group of assets (whether together with associated liabilities or otherwise and as part of an undertaking or otherwise) which represent 50% or more (by book value) of the consolidated gross tangible assets of the Group at that time

Auditors means the auditors for the time being of the Company

B Ordinary Shares means the B Ordinary Shares of £1 each of the Company

Board means the board of directors of the Company or the directors present at a duly convened quorate meeting of the board or a committee of the board

Change of Control means the acquisition (whether by purchase, transfer, renunciation or otherwise) by any person, including a party to the Investment Agreement at the Investment Date (a **Third Party Purchaser**), of any interest in any Shares if, upon completion of that acquisition, the Third Party Purchaser, together with persons acting in concert or connected with him, would hold or beneficially own more than 50% of the Shares

Companies Act means the Companies Act 1985 as amended

connected with has the meaning given in section 839 Income and Corporation Taxes Act 1988 save that there shall be deemed to be control for that purpose whenever either section 416 or section 840 of that Act would so require

Deed of Accession has the meaning given in the Investment Agreement

Founder means a Founder, for the purpose of the Investment Agreement for the time being

Founder Director has the meaning given in article 17

Group means the Company and all its subsidiaries and subsidiary undertakings for the time being and **member of the Group** shall be construed accordingly

Investment Date means the date of completion of the Investment Agreement

Investment Agreement means the Agreement relating to the Company dated 13 August 2004 and made between the Founders (as defined therein) (1), the Company (2) and the Investors (as defined therein) (3), as amended, waived, restated, modified or supplemented for the time being

Investor means an Investor, for the purpose of the Investment Agreement for the time being

Investor Director has the meaning given in article 17

Issue Price means the amount paid up or credited as paid up (including any premium on issue) on a Share

KAL(1) means the Company registered at Companies House with no. 4763096

Listing means the admission to listing or trading of all or any of the equity share capital of the Company to the main market or the Alternative Investment Market of the London Stock Exchange or to any other public securities market, whether such listing or admission to trading is effective by way of an offer for sale, a new issue of shares, an introduction, a placing or otherwise

Loan Stock has the meaning given in the Investment Agreement

Loan Stock Deed has the meaning given in the Investment Agreement

London Stock Exchange means London Stock Exchange plc

Member means any registered holder of Shares for the time being

Sale means the making of one or more agreements (whether conditional or not) for an acquisition of any Shares giving rise to a Change of Control

Shares means the A Ordinary Shares and/or the B Ordinary Shares

Statutes means the Companies Act and any statutory modification or re-enactment of the Companies Act for the time being in force and every other statute for the time being in force concerning companies and affecting the Company

Table A means Table A in the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985

Third Party Purchaser has the meaning given in the definition of **Change of Control** and, where the relevant acquisition was effected by the renunciation of a renounceable letter of allotment, includes the relevant renouncee

Under Performance Notice means a notice in writing signed on behalf of the holders of 75% of the B Ordinary Shares and which may be served on the Company at any time when the Company is in default of its obligations to redeem or repay any Loan Stock in accordance with the terms of the Loan Stock Deed and which may be withdrawn by the same holders

Valuers means the Auditors unless:

- (a) a report on Market Value is to be made pursuant to a Deemed Transfer Notice and, within 21 days after the date of the Deemed Transfer Notice, the Vendor notifies the Board in writing that it objects to the Auditors making that report; or
- (b) the Auditors decline an instruction to report on Market Value

and in such circumstances the Valuers for the purpose of that report shall be a firm of chartered accountants agreed between the Vendor and the Board or, in default of agreement within 20 business days after the event referred to in (a) or (b) above, appointed by the President of the Institute of Chartered Accountants in England and Wales on the application of the Vendor or the Board.

- 1.2 These articles and the regulations of Table A (subject to any modifications set out in these articles) constitute the articles of association of the Company.
- 1.3 *References in these articles to regulations are to regulations in Table A and references to an article by number are to the particular article of these articles.*
- 1.4 In these articles, words importing a gender include every gender and references to persons include bodies corporate, unincorporated associations and partnerships.
- 1.5 Words and expressions defined in or for the purposes of the Companies Act or Table A have the same meanings in these articles unless the context otherwise requires.
- 1.6 Words and expressions defined elsewhere in these articles shall bear the meanings given to them there.
- 1.7 The headings in these articles shall not affect their construction.
- 1.8 *Notwithstanding any other provision of these articles, in the event of a conflict or inconsistency between these articles and the Investment Agreement, the Investment Agreement shall prevail.*

2 Authorised share capital

- 2.1 The authorised share capital of the Company at the date of the adoption of these articles is £300,000 divided into 180,000 A Ordinary Shares (of which 155,000 have been issued) and 120,000 B Ordinary Shares (all of which have been issued).

3 A Ordinary Shares and B Ordinary Shares

- 3.1 In terms of voting and distribution and in all other respects the A Ordinary Shares and the B Ordinary Shares shall be treated equally and shall rank *pari passu* save with respect to articles 3.2, 12 and 13.
- 3.2 If an Under Performance Notice has been served then for so long as it is not withdrawn and notwithstanding any provision to the contrary contained in these articles:
 - (a) in place of the number of votes which the Investor Directors shall otherwise be entitled to cast, the Investor Directors shall together be entitled to cast twice the number of votes which those directors of the Company (other than the Investor Directors) shall be entitled to cast at meetings of the Board or any committee thereof; and
 - (b) the Investors shall at any general meeting of the Company carry votes equal to 75% of all votes cast in respect of any resolution proposed at such general meetings.

4 Variation of class rights

- 4.1 Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) only be varied or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding up, with the consent in writing of the holders of three quarters of the issued Shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued Shares of that class. To every such separate meeting, all the provisions of these articles relating to general meetings of the Company shall, *mutatis mutandis*, apply.

4.2 Without prejudice to the generality of article 4.1, the special rights attached to the B Ordinary Shares shall be deemed to be varied at any time by any of the following:

- (a) an increase, reduction or other alteration in the issued share capital of the Company or any other member of the Group (including any allotment of any share, whether conditional or otherwise) or a variation in the rights attaching to any class thereof, apart from an alteration arising out of a conversion or redemption of shares under these articles;
- (b) the grant of an option to subscribe for shares in the Company or in any other member of the Group or the issue of any securities or instruments convertible into shares in any such company;
- (c) the creation by the Company or any other member of the Group of any mortgage, charge, pledge, lien, encumbrance or other security interest (excluding an interest arising by operation of law in the ordinary course of business);
- (d) the Group Borrowings exceeding the limit imposed by these articles;
- (e) the making of any material change (including cessation) in the nature of the business of the Group taken as a whole;
- (f) the alteration of the memorandum of association of the Company or these articles or *the passing of any special or extraordinary resolution of the Members (or any class of them)*;
- (g) the institution of any proceedings for, or the passing of any resolution for, the winding up or administration of the Company or any other member of the Group;
- (h) the removal of any Investor Director otherwise than in accordance with article 17.3;
- (i) a Sale, Asset Sale or Listing; and
- (j) the Company or any other member of the Group incurring an obligation to do any of the foregoing.

5 Proceeds of sale

In the event of a Sale then, notwithstanding anything to the contrary in the terms of such Sale (unless all the Members immediately prior to the Sale have agreed in writing to the contrary expressly for the purposes of this provision, whether in the agreements for the Sale or otherwise), the Members immediately prior to such Sale shall procure that the purchase consideration whenever received is paid into a designated trustee account and shall be distributed amongst those Members who sold Shares under those terms in the manner and order of priority in which the amount of the purchase consideration would have been distributed had a resolution for the winding up of the Company been passed on the date of the Sale and had the amount available for distribution to the Members in such winding up been equal to the amount of purchase consideration.

6 Issue of shares

6.1 Subject to the Companies Act and the terms of the Investment Agreement, all unissued Shares in the Company shall be under the control of the directors and they may offer, allot, grant rights or warrants to subscribe for, grant options over, or otherwise deal with or dispose of unissued shares in the Company to such persons and generally on such terms, in such manner and at such times as they may determine.

6.2 Subject to the terms of the Investment Agreement, any unissued Shares or equity securities or shares to be issued which are subject to the provisions of Sections 89 to 95 of the Companies Act (**New Shares**) shall be offered first to the holders of the Shares on a pari passu and pro rata basis to the number of Shares held by each holder on the terms that in the case of competition the New Shares shall be allotted to the acceptors of any such offer in

proportion (as nearly as may be without involving fractions or increasing the number allotted to any member beyond the number applied for by him) to their existing holdings of Shares. Such offer(s):

- (a) shall be in writing and shall stipulate a time not exceeding 14 days within which it must be accepted or in default will lapse; and
- (b) may stipulate that any members who wish to subscribe for such number of New Shares in excess of the proportion to which each is entitled shall in their acceptance state how many excess New Shares they wish to subscribe for and any shares not accepted by other members shall be used for satisfying the requests for excess New Shares pro rata to the existing Shares as the New Shares respectively held by such members making such requests and thereafter such New Shares shall be offered to any other person at the same price and on the same terms as the offer to members.

7 Lien

- 7.1 The lien conferred by Regulation 8 shall attach to all Shares of any class, whether fully paid or not, and to all Shares registered in the name of any Member for all money presently payable by him or his estate to the Company, whether he is their sole registered holder or one of two or more joint holders. Regulation 8 shall be modified accordingly.
- 7.2 All Shares to be sold in the enforcement of the Company's lien or rights of forfeiture shall be offered in accordance with article 11 (Compulsory Transfers) as if a Deemed Transfer Notice were deemed given in respect of such Shares.

8 Transfer of shares - general

- 8.1 The Board shall not register the transfer of any Share or any interest in any Share unless the transfer:
 - (a) is either:
 - (i) permitted by article 9 (Permitted Transfers); or
 - (ii) is made in accordance with article 10 (Voluntary Transfers), article 11 (Compulsory Transfers) or article 13 (Change of Control); and
 - (b) in any event, is not in favour of:
 - (i) any infant, bankrupt, trustee in bankruptcy or person of unsound mind; or
 - (ii) any person who has not executed a Deed of Accession to, and in the manner required by, the Investment Agreement.
- 8.2 The Company shall promptly register any duly executed and stamped transfer of Shares which is made in accordance with these articles.
- 8.3 For the purpose of ensuring that a transfer of Shares is in accordance with these articles or that no circumstances have arisen whereby a Member may be bound to give or be deemed to have given a Transfer Notice (as defined in article 10.1) a director may from time to time require any Member or any person named as transferee in any transfer lodged for registration to furnish to the director such information and evidence as the director requests for such purpose. If such information or evidence is not furnished to their reasonable satisfaction within a reasonable time after that request the Board may with the approval of the Investor Director in their absolute discretion either:
 - (a) refuse to register the transfer in question or
 - (b) where no transfer is in question, require by notice in writing to the Member(s) concerned that a Transfer Notice be given in respect of the Shares concerned within the period specified in that notice.

If such information or evidence discloses to the satisfaction of the Board (with the approval of an Investor Director) in their absolute discretion that circumstances have arisen whereby a Member is bound to give or be deemed to have given a Transfer Notice the Board may in their absolute discretion by notice in writing to the Member concerned require that a Transfer Notice be given in respect of the Shares concerned within the period specified in that notice.

8.4 An obligation to transfer a Share under these articles shall be deemed to be an obligation to transfer the entire legal and beneficial interest in such Share free from any lien, charge or other encumbrance.

8.5 No arrangement shall be entered into by any Member whereby the terms upon which that Member holds any Shares are to be varied if as a result any interest in those Shares is varied, disposed of or created or extinguished, except by a transfer made in accordance with these articles.

8.6 Regulations 30 and 31 shall be modified to reflect the provisions of these articles.

9 Permitted transfers

9.1 Definitions

For the purposes of this article and articles 10 and 11:

- (a) **family member** means, in relation to any person, any of his spouse (or widow or widower), children and grandchildren (including step and adopted children and grandchildren);
- (b) **family trust** means, in relation to a Member, a trust which does not permit any of the settled property or the income from it to be applied otherwise than for the benefit of that Member, any of his family members and for any charity and under which no power of control over the voting powers conferred by any Shares the subject of the trust is capable of being exercised by, or being subject to the consent of, any person other than the trustees or such Member or any of his family members;
- (c) **a member of the same group** means, in relation to a body corporate, any other body corporate which is for the time being a holding company of that body corporate or a subsidiary of that body corporate or a subsidiary of any holding company of which that body corporate is also a subsidiary; and
- (d) **permitted transfer** means any transfer of Shares permitted under this article 9.

9.2 Transfers to relations and trustees

- (a) Subject to articles 9.2(b) to 9.2(e), any Member who is an individual may at any time transfer Shares to a person shown to the reasonable satisfaction of the Board (with the approval of an Investor Director) to be:
 - (i) a family member of his; or
 - (ii) trustees to be held under a family trust for that member.
- (b) Subject to article 9.2(d), no Shares shall be transferred under article 9.2(a) by any person who previously acquired those Shares by way of transfer under article 9.2(a).
- (c) No transfer of Shares shall be made by a Member under article 9.2(a):
 - (i) unless in the case of a transfer under article 9.2(a)(ii), the Board (with the approval of an Investor Director) has confirmed in writing his satisfaction:
 - (A) with the terms of the instrument constituting the relevant family trust and in particular with the powers of the trustees;

- (B) with the identity of the trustees and the procedures for the appointment and removal of trustees;
 - (C) with the restrictions on changes in the terms of the trust instrument and on distributions by the trustees;
 - (D) the ability and willingness of the trustees to give appropriate warranties and indemnities on a Sale or Listing; and
 - (E) that none of the costs incurred in establishing or maintaining the relevant family trust will be payable by any member of the Group; and
- (ii) unless the aggregate number of Shares held by that Member following that transfer exceeds the aggregate number of Shares held by that Member's family trusts and family members.
- (d) Where Shares are held by trustees under a family trust:
 - (i) those Shares may, on any change of trustees, be transferred by those trustees to any new trustee of that family trust whose identity has been approved in writing by the Investor Director;
 - (ii) those Shares may at any time be transferred by those trustees to the settlor of that trust or any other family member to whom that settlor could have transferred them under this article 9.2 if he had remained the holder of them; and
 - (iii) if any of those Shares cease to be held under a family trust for any other reason, the trustees shall give a Transfer Notice (as defined in article 10.1) within 28 days in respect of all the Shares then held by those trustees.
- (e) If:
 - (i) any person has acquired Shares as a family member of a Member by way of one or more permitted transfers; and
 - (ii) that person ceases to be a family member of that Member,

that person shall forthwith transfer all the Shares then held by that person back to that Member, for such consideration as they agree, within 21 days of the cessation, or, failing such transfer within that period, shall during the remainder of the 28 day period after the cessation, give a Transfer Notice in respect of all of the Shares then held by that person.

9.3 Transfers within groups of companies

- (a) Subject to article 10.1, any Member which is a body corporate may at any time transfer any Shares held by it to a member of the same group.
- (b) Where Shares have been transferred under article 9.3(a) (whether directly or by a series of such transfers) from a Member (**Transferor**, which expression shall not include a second or subsequent transferor in such a series of transfers) to a member of the same group as the Transferor (**Transferee**) and subsequently the Transferee ceases to be a member of the same group as the Transferor, the Transferee shall forthwith transfer all the Shares held by it to the Transferor, or, failing such transfer within that period, shall during the remainder of the 28 day period after the cessation, give a Transfer notice in respect of all of the Shares then held by the Transferee.
- (c) Subject to article 10.1, any Investor may at any time transfer any Shares held by it to any other Investor.

9.4 Transfers with consent

A Member may transfer Shares to any person at any time with the prior written consent of all of the Members.

10 Voluntary transfers

10.1 Notwithstanding any other provision in these articles, no Founder shall transfer any A Ordinary Shares without the consent of the Investors (such consent not to be unreasonably withheld).

10.2 Any Member (a **Vendor**) shall, before transferring or agreeing to transfer any Share or any interest in any Share, serve notice in writing (a **Transfer Notice**) on the Company of his wish to make that transfer unless the transfer is:

- (a) made pursuant to article 9 (Permitted Transfers), subject to article 8.1;
- (b) a transfer of Dragged Shares made pursuant to article 12 (Founders' Drag Along Option); or
- (c) a transfer made pursuant to acceptance of an offer made pursuant to article 13 (Tag Along Right).

10.3 In the Transfer Notice, the Vendor shall specify:

- (a) the number of Shares (**Sale Shares**) which he wishes to transfer;
- (b) the identity of the person (if any) to whom the Vendor wishes to transfer the Sale Shares;
- (c) the price per share at which the Vendor wishes to transfer the Sale Shares (**Sale Price**);
- (d) any other terms relating to the transfer of the Sale Shares which are not prohibited by these Articles including the date from which dividends on the sale shares shall accrue to the purchaser; and
- (e) whether the Transfer Notice is conditional upon all (and not part only) of the Sale Shares being sold pursuant to the following provisions of this article 10 (a **Total Transfer Condition**).

10.4 Each Transfer Notice shall:

- (a) relate to one class of Shares only;
- (b) constitute the Company as the agent of the Vendor for the sale of the Sale Shares on the terms of this article 10;
- (c) be irrevocable; and
- (d) not be deemed to contain a Total Transfer Condition unless expressly stated otherwise.

10.5 The Board shall offer the Sale Shares for purchase at the Sale Price by a written offer notice (**Offer Notice**) served on all Members holding shares of the same class of the Sale Shares (**Class Members**) (other than the holders of the Sale Shares) on the terms that in the case of competition the Sale Shares shall be sold to the acceptors in proportion (as nearly as may be without involving fractions or increasing the number sold to any Member beyond that applied for by him) to their existing holdings of shares of the same class as the Sale Shares and such offer may stipulate that any Class Member who wishes to purchase a number of Sale Shares in excess of the proportion to which each is entitled shall in their acceptance state how many excess Sale Shares they wish to purchase and any shares not accepted by other Class

Members shall be used for satisfying the requests for excess Sale Shares pro rata to the existing shares of the same class as the Sale Shares respectively held by such Class Members making such requests.

10.6 An Offer Notice shall:

- (a) specify the Sale Price;
- (b) expire 42 days after its service;
- (c) contain the other details included in the Transfer Notice; and
- (d) invite the relevant Members to apply in writing, before expiry of the Offer Notice, to purchase Sale Shares.

10.7 If the Company shall not within the period referred to at Article 10.6(b) find any Class Member or Members willing to purchase all the Sale Shares it shall offer any sold Sale Shares to the holders of the other classes of Shares. Such offer shall be made in a similar manner to the offer to the Class Members and the procedure for offer and acceptance for Class Members shall apply to the members of the other classes of shares.

10.8 After the expiry date of the Offer Notice (or, if earlier, upon responses being received from all relevant Members in accordance with article 10.6), the Board shall allocate the Sale Shares in accordance with the applications received, subject to the other provisions of these articles and Table A, save that if the Transfer Notice contained a Total Transfer Condition, no allocation of Sale Shares shall be made unless all the Sale Shares are allocated.

10.9 The Board shall, within 7 days after the expiry date of the Offer Notice, give notice in writing (**Sale Notice**) to the Vendor and to each person to whom Sale Shares have been allocated (each a **Purchaser**) specifying the name and address of each Purchaser, the number of Sale Shares allocated to him, the aggregate price payable for them, and the time for completion of each sale and purchase.

10.10 Completion of a sale and purchase of Sale Shares pursuant to a Sale Notice shall take place at the registered office of the Company at the time specified in the Sale Notice (being not less than one week nor more than two months after the expiry date of the Offer Notice, unless agreed otherwise in relation to any sale and purchase by both the Vendor and the Purchaser concerned) when the Vendor shall, upon payment to him by a Purchaser of the Sale Price in respect of the Sale Shares allocated to that Purchaser, transfer those Sale Shares and deliver the relative share certificates to that Purchaser.

10.11 The Vendor may, during the period falling between one and two months after the expiry date of the Offer Notice, sell any Sale Shares for which a Sale Notice has not been given by way of bona fide sale to the proposed transferee (if any) named in the Transfer Notice at any price per Sale Share which is not less than the Sale Price, without any deduction, rebate or allowance to the proposed transferee, provided that:

- (a) the Board shall be entitled to refuse registration of the proposed transferee if he is believed by the Board to be a competitor or connected with a competitor of any business of any member of the Group or a nominee of such a person; and
- (b) if the Transfer Notice contained a Total Transfer Condition, the Vendor shall not be entitled to sell only some of the Sale Shares under this article 10, save with the written consent of all the other Members.

10.12 If a Vendor fails to transfer any Sale Shares when required pursuant to this article 10, the Board may authorise any person (who shall be deemed to be the attorney of the Vendor for the purpose) to execute the necessary transfer of such Sale Shares and deliver it on the Vendor's behalf. The Company may receive the purchase money for the Sale Shares from the Purchaser and shall, upon receipt of the duly stamped transfer, register the Purchaser as the holder of those Sale Shares. The Company shall hold the purchase money in a separate bank account on trust for the Vendor but shall not be bound to earn or pay interest on any

money so held. The Company's receipt for the purchase money shall be a good discharge to the Purchaser (who shall not be concerned to see to the application of it). After the name of the Purchaser has been entered in the register of Members in purported exercise of the power conferred by this article 10, the validity of that exercise shall not be questioned by any person.

- 10.13 Any B Ordinary Share transferred to a Member holding A Ordinary Shares shall (without further authority than is herein contained) forthwith on such transfer be deemed to have been converted into an A Ordinary Share having all the rights, privileges and restrictions attaching to the A Ordinary Shares.

11 Compulsory transfers

- 11.1 In this article 11, a **Transfer Event** means, in relation to any Member:

- (a) a Member who is an individual:
 - (i) becoming bankrupt; or
 - (ii) dying; or
 - (iii) suffering from mental disorder and being admitted to hospital or becoming a patient for any purpose of any enactment relating to mental health;
- (b) a Member making any arrangement or composition with his creditors generally;
- (c) a Member which is a body corporate:
 - (i) having a receiver, manager or administrative receiver appointed over all or any part of its undertaking or assets; or
 - (ii) having an administrator appointed in relation to it; or
 - (iii) entering into liquidation (other than a voluntary liquidation for the purpose of a bona fide scheme of solvent amalgamation or reconstruction); or
 - (iv) having any equivalent action taken in any jurisdiction;
- (d) subject to article 11.8, if a Member who is an employee or director of a member of the Group ceases to be either an employee or director of any member of the Group and is not continuing either as an employee or director of any member of the Group (including in circumstances falling within articles 11.1(a) and 11.1(b) and, for the avoidance of doubt, where a Transfer Event falls both within this article 11.1(d) and article 11.1(a) or 11.1(b) the Deemed Transfer Notice referred to in article 11.2 shall be treated as given as a consequence of a Transfer Event falling within this article 11.1(d));
- (e) a Member or any family member or any family trust of that Member attempting to deal with or dispose of any Share or any interest in it otherwise than in accordance with article 9 (Permitted Transfers), article 10 (Voluntary Transfers) and this article 11 (Compulsory Transfers) or in contravention of article 13 (Change of Control); and
- (f) a Member not giving a Transfer Notice in respect of any Shares or transfer any Shares (as the case may be) as required by articles 8.3, 9.2(d)(iii), 9.2(e) or 9.3(b).

- 11.2 Upon the happening of any Transfer Event, the Member in question and any other Member who has acquired Shares from him under a permitted transfer under articles 9.2 or 9.3 or (directly or by means of a series of two or more permitted transfers under articles 9.2 or 9.3) shall be deemed to have immediately given a Transfer Notice in respect of all the Shares then held by them (a **Deemed Transfer Notice**). A Deemed Transfer Notice shall supersede and cancel any then current Transfer Notice insofar as it relates to the same Shares except for Shares which have then been validly transferred pursuant to that Transfer Notice.

- 11.3 Notwithstanding any other provision of these articles, any Member holding Shares in respect of which a Deemed Transfer Notice is deemed given shall not be entitled to exercise any voting rights at general meetings of the Company in respect of those Shares between the date of the relevant Deemed Transfer Notice and the expiry of one month after the date of the Sale Notice given in respect of those Shares or, if earlier, the entry in the register of members of the Company of another person as the holder of those Shares.
- 11.4 The Shares the subject of any Deemed Transfer Notice shall be offered for sale in accordance with article 10 as if they were Sale Shares in respect of which a Transfer Notice had been given save that:
- (a) a Deemed Transfer Notice shall be deemed to have been given on the date of the Transfer Event or, if later, the date of the first meeting of the Board at which details of the facts or circumstances giving rise to the Deemed Transfer Notice are tabled;
 - (b) subject to article 11.5, the Sale Price shall be a price per Sale Share agreed between the Vendor and the Board (with the approval of an Investor Director) or, in default of agreement and approval within 21 days after the date of the Transfer Event, the Board shall instruct Valuers for that purpose, the price per share reported on by the Valuers as their written opinion of the open market value of each Sale Share as at the date of the Transfer Event (**Market Value**);
 - (c) a Deemed Transfer Notice shall be deemed not to contain a Total Transfer Condition and shall be irrevocable;
 - (d) the Vendor may retain any Sale Shares for which Purchasers are not found or, during the period between one and two months after the expiry of the relevant Offer Notice and, with the prior written approval of the Board and an Investor Director, sell all or any of those Sale Shares to any person (including any Member) at any price per Sale Share which is not less than the Sale Price;
 - (e) the Sale Shares shall be sold together with all rights, attaching thereto as at the date of the Transfer Event, including the right to any dividend declared or payable on those Shares after that date; and
 - (f) article 11.6 shall apply.
- 11.5 The Sale Price for any Sale Shares which are the subject of a Deemed Transfer Notice given as a consequence of a Transfer Event falling within article 11.1(d) shall:
- (a) in the case of a Good Leaver (as defined in article 11.6), be the Market Value at the date the Member ceases to hold office as described in article 11.1(d); and
 - (b) in the case of a Bad Leaver (as defined in article 11.6), be their Issue Price or, if less, their Market Value at the date the Member ceases to hold office as described in article 11.1(d)
- less, in each case any dividends on the Sale Shares referred to in article 11.4(e) which are retained by the Vendor.
- 11.6 A dispute as to whether article 11.5(a) or article 11.5(b) applies to any Sale Shares shall not affect the validity of a Deemed Transfer Notice but any person who acquires Sale Shares pursuant to a Deemed Transfer Notice while such a dispute is continuing shall pay to the Vendor their Issue Price (or, if lower, their Market Value) and shall pay the difference between their Issue Price and their Market Value to the Company. The Company shall hold that difference in a separate bank account as trustee to pay it, and interest earned thereon, upon final determination of the dispute:
- (a) to the Purchaser in the case of a Bad Leaver; and
 - (b) to the Vendor in the case of a Good Leaver.

11.7 In article 11.5:

- (a) **Good Leaver** refers to a person who ceases to be a director or employee of any member of the Group and as a consequence is no longer a director or employee of any member of the Group and such cessation occurs either:
 - (i) prior to the fifth anniversary of the Investment Date (or if earlier, the date upon which the Loan Stock is repaid in full) as a result of:
 - (A) death, illness (including mental illness), disability, permanent incapacity through ill health; or
 - (B) retirement at normal retirement age; or
 - (C) wrongful dismissal; or
 - (ii) on or after the fifth anniversary of the Investment Date (or if earlier, the date upon which the Loan Stock is repaid in full) for any reason other than:
 - (A) resignation without Board consent;
 - (B) lawful summary termination by a member of the Group in accordance with the relevant terms of employment or engagement (but for the avoidance of doubt termination in lieu of notice shall not be treated as summary termination); or
 - (C) circumstances described in article 11.1(a)(i) or 11.1(b)

unless the Board, with the consent of the Investor Director, determines the relevant Member, notwithstanding any of the provisions of this article, to be a Good Leaver.
- (b) **Bad Leaver** refers to any person who ceases to be a director or employee of any member of the Group (other than a Good Leaver) and as a consequence is no longer a director or employee of any member of the Group.

11.8 For the purpose of article 11.5, the date upon which a Member ceases to hold office as described therein shall be:

- (a) where a contract of employment or directorship is terminated by the employer by giving notice to the employee of the termination of the employment or directorship, the date of that notice (whether or not a payment is made by the employer in lieu of all or part of the notice period required to be given by the employer in respect of such termination);
- (b) where a contract of employment or directorship is terminated by the employee by giving notice to the employer of the termination of the employment or directorship, the date of that notice;
- (c) where an employer or employee wrongfully repudiates the contract of employment and the other accepts that the contract of employment has been terminated, the date of such acceptance;
- (d) where a contract of employment is terminated under the doctrine of frustration, the date of the frustrating event; and
- (e) where a contract of employment or directorship is terminated for any reason other than in the circumstances set out in article 11.8(a) to 11.8(d) above, the date on which the action or event giving rise to the termination occurs.

11.9 For the purposes of article 11.4(b) the Market Value per Sale Share shall be determined in accordance with article 11.10 save that the Valuers shall, in making such determination,

disregard any provision in these articles pursuant to which the Vendor may or could be required to sell or otherwise transfer his Sale Shares.

11.10 If instructed to report on their opinion of Market Value under articles 11.4(b) and 11.5, the Valuers shall:

- (a) act as expert and not as arbitrator and their written determination shall be final and binding on the Members, save in the case of manifest error; and
- (b) proceed on the basis that:
 - (i) the open market value of each Sale Share shall be the sum which a willing purchaser would agree with a willing vendor to be the purchase price for each Sale Share; and
 - (ii) appropriate account shall be taken of the number and rights of the Sale Shares in relation to the entire issued share capital of the Company and of any restrictions on the transferability of the Sale Shares (save that, in the case of a transfer of the B Ordinary Shares, no account shall be taken of the fact that the B Ordinary Shares constitute a minority interest in the capital of the Company); and
 - (iii) any difficulty in applying either of the foregoing bases shall be resolved by the Valuers as they think fit in their absolute discretion.

11.11 The Company will use its best endeavours to procure that the Valuers deliver their written opinion of the Market Value to the Board and the Vendor within 28 days of the Board electing to instruct them under article 11.4(b).

11.12 The Valuers' fees for reporting on their opinion of the Market Value shall be borne as to one half by the Vendor and as to the other half by the Purchasers *pro rata* to the number of Sale Shares purchased by them unless none of the Sale Shares are purchased pursuant to this article 10,

when the Vendor shall pay all the Valuers' fees.

12 Founders' Drag Along Option

12.1 If any one or more of the Founders wish to transfer on arms length terms their interest in the A Ordinary Shares to any person who is not a Founder where that transfer would result in a Change of Control, the Founders shall, subject to article 10.7, have the option (**Drag Along Option**) to require the holders of the B Ordinary Shares to transfer all their shares (including, for the avoidance of doubt any A Ordinary Shares held by them) to the Third Party Purchaser or as the Third Party Purchaser directs in accordance with this article 12.

12.2 The Founders may exercise the Drag Along Option by giving notice to that effect (a **Drag Along Notice**) to the holders of the B Ordinary Shares (**Drag Shareholders**) at any time before the transfer of Shares. A Drag Along Notice shall specify that the Dragged Shareholders are required to transfer all their Shares (**Dragged Shares**) pursuant to article 12.1, the price at which the Dragged Shares are to be transferred (calculated in accordance with article 12.4) and the proposed date of transfer.

12.3 A Drag Along Notice is irrevocable.

12.4 A Drag Along Notice will require each Shareholder to sell his Shares at the price per Share at which the relevant transfer of Shares referred to in article 12.1 takes place.

12.5 Completion of the sale of the Dragged Shares under this article shall take place on the same date as the date proposed for completion of the sale of the Founders' Shares unless:

- (a) all of the Dragged Shareholders and the Founders agree otherwise; or

- (b) that date is less than 7 days after the Drag Along Notice, where it shall be deferred until the 7 day after the Drag Along Notice; or
- 12.6 A Dragged Shareholder who sells Dragged Shares under this article shall not be required to give any warranties (other than his title to sell his Dragged Shares) or indemnities to the Third Party Purchaser.
- 12.7 No Drag Along Notice may be served at any time prior to 1 August 2005 or otherwise unless the aggregate amount received by the Investor as a result of the sale of the Dragged Shares and the redemption of Loan Stock upon completion of the sale of the Dragged Shares is an amount equal to or greater than X where:
- X = the total amount subscribed by the Investors for the Dragged Shares and the Loan Stock plus an internal rate of return of 15% on such amount.

13 Tag along right

- 13.1 Notwithstanding any other provision in these articles no sale or transfer or other disposition of any interest in any A Ordinary Shares (**specified shares**) shall have any effect, if it would result in a Change of Control, unless before the sale, transfer or other disposition takes effect the Third Party Purchaser has made a bona fide offer in accordance with this article to purchase at the specified price (defined in article 13.3) all the B Ordinary Shares held by the Members (except any Member which has expressly waived its right to receive such an offer for the purpose of this article) and all the A Ordinary Shares held by any Member who is not a Founder, family member of a Founder or family trust of a Founder.
- 13.2 An offer made under article 13.1 shall be in writing, given in accordance with article 21, open for acceptance for at least 21 days, and shall be deemed to be rejected by any Member who has not accepted it in accordance with its terms within 28 days and the consideration under such an offer shall be settled in full on completion of the purchase and within 30 days of the date of the offer.
- 13.3 For the purposes of article 13.1:
- (a) the expressions **transfer**, **transferor** and **transferee** include respectively the renunciation of a renounceable letter of allotment and any renouncer and renounee of such letter; and
- (b) the expression **specified price** means:
- (i) in the case of the B Ordinary shares, the higher of:
- (A) a price per share equal to the highest price paid or payable by the Third Party Purchaser or persons acting in concert with him or connected with him for any Shares within the last 6 months plus an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the specified shares which, having regard to the substance of the transaction as a whole, can reasonably be regarded as part of the overall consideration paid or payable for the specified shares; and
- (B) a price per share equal to the Issue Price thereof plus a sum equal to any arrears or accruals of the dividends on such Share grossed up at the rate of corporation tax then in force calculated down to the date the transfer is completed.
- (c) If any part of the specified price is payable otherwise than in cash any Member may require, as a condition of his acceptance of the offer made under this article, to receive in cash on transfer all or any of the price offered for the Shares sold by him pursuant to the offer.

- (d) If the specified price or its cash equivalent for any shares of any class cannot be agreed within 21 days of the proposed sale, transfer or other disposition referred to in article 13.1 between the Third Party Purchaser and Members holding 75% of the class of Shares concerned (excluding the Third Party Purchaser and persons who have waived their right to receive an offer), it may be referred to the Valuers by any Member and, pending its determination, the sale, transfer or other disposition referred to in article 13.1 shall have no effect.

14 General meetings

- 14.1 The Board shall procure that the audited accounts of the Company for each financial year are laid before the Company in general meeting not later than one month after the date of the auditors' report contained in those accounts.
- 14.2 Notice of a general meeting need not be given to any director in that capacity. Regulation 38 shall be modified accordingly.
- 14.3 Regulation 37 shall be amended by the insertion of the words "or an Investor Director acting alone" after the second word of that regulation.

15 Proceedings at General Meetings

- 15.1 Any Member having the right to vote at the meeting may demand a poll at a general meeting. Regulation 46 shall be modified accordingly.
- 15.2 The chairman shall not be entitled to exercise any second or casting vote. Regulation 50 shall not apply.
- 15.3 A director shall not be required to hold any share qualification, but nevertheless shall be entitled to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares in the capital of the Company.
- 15.4 If a meeting is adjourned under Regulation 41 because a quorum is not present, and at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, those shareholders present shall form a quorum, and Regulation 41 shall be modified accordingly.
- 15.5 Regulation 62 shall be modified by the deletion in paragraph (a) of the words "deposited at" and by the substitution for them of the words "left at or sent by post or by facsimile transmission to" and by the insertion at the end of the regulation after the word "invalid" of the words "unless a majority of the Board (the Investor Director being part of that majority) resolve otherwise".
- 15.6 Regulation 54 shall not apply.

16 Number of directors

The number of directors shall not be less than two.

17 Investor directors, Founder directors and the chairman

- 17.1 The Members holding a majority of the B Ordinary Shares may at any time and on more than one occasion appoint any person to be a director (an **Investor Director** which expression shall, where the context so permits but not in article 17.3, include a duly appointed alternate of such a director) and at any time and on more than one occasion remove an Investor Director from office.
- 17.2 There shall not be more than two Investor Directors in office at any time.
- 17.3 Any appointment or removal of an Investor Director shall be in writing served on the Company signed by the Members holding a majority of the B Ordinary Shares and shall take effect at the time it is served on the Company or produced to a meeting of the Board, whichever is

earlier. Any such appointment or removal by a corporation may be signed on its behalf by its duly authorised representative.

- 17.4 The Members holding a majority of the A Ordinary Shares may at any time and on more than one occasion appoint any person to be a director (a **Founder Director** which expression shall, where the context so permits but not in article 17.3, include a duly appointed alternate of such a director) and at any time and on more than one occasion remove an Investor Director from office.
- 17.5 There shall not be more than two Founder Directors in office at any time.
- 17.6 Any appointment or removal of an Founder Director shall be in writing served on the Company signed by the Members holding a majority of the A Ordinary Shares and shall take effect at the time it is served on the Company or produced to a meeting of the Board, whichever is earlier. Any such appointment or removal by a corporation may be signed on its behalf by its duly authorised representative.
- 17.7 The Company shall pay an aggregate fee to the Investor Directors in respect of the services of the Investor Directors at the rate of no more than £25,000 per annum (plus VAT, if applicable) such rate or a higher rate agreed between the Board and the Investor Director(s). Such fee shall be shared between the Investor Directors in such proportions as agreed between them and will be payable monthly in arrears.
- 17.8 Notice of meetings of the Board shall be served on any Investor Director who is absent from the United Kingdom at the addresses for service of notice on each Investor under the Investment Agreement. The third sentence of Regulation 88 shall not apply.
- 17.9 Upon written request by a majority of the holders of the B Ordinary Shares the Company shall procure that any Investor Director is forthwith appointed as a director of any other member of the Group.
- 17.10 Regulation 81(e) shall not apply to an Investor Director.
- 17.11 Where any decision is to be made by any member of the Group in relation to the exercise, enforcement, variation or waiver of its rights under the Acquisition Documents (as defined in the Investment Agreement) or against any Member holding Ordinary Shares or any director or person connected with any such Member or director, any such decision shall be within the exclusive power of an Investor Director (to the exclusion of the other directors but after consultation with a majority thereof) who shall have (without limitation) exclusive authority in relation to such exercise, enforcement, variation or waiver and the conduct of any proceedings of whatever nature arising in connection with any such rights.
- 17.12 The Members holding a majority of the B Ordinary Shares may at any time and on more than one occasion appoint any Investor Director to be the chairman of the Board and at any time and on more than one occasion remove from the office of chairman a person so appointed. Article 15.3 shall apply to any such appointment or removal. Regulation 91 shall be modified accordingly.

18 Alternate directors

- 18.1 The words "approved by resolution of the directors and" in Regulation 65 shall not apply to an appointment of an alternate director by an Investor Director.
- 18.2 Regulation 66 shall be amended by the insertion between the words "shall" and "be" of the words "(subject to his giving the Company an address within the United Kingdom at which notice may be served upon him)".
- 18.3 A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.

- 18.4 If an alternate director is himself a director or attends any meeting as an alternate director for more than one director, his voting rights shall be cumulative but he shall only be counted once in deciding whether a quorum is present.

19 Proceedings of directors

- 19.1 The quorum for the transaction of business of the Board shall be two directors, one of whom shall be an Investor Director unless the Investor Directors have previously agreed otherwise in writing expressly for that purpose.
- 19.2 Any director or his alternate may validly participate in a meeting of the Board by conference telephone or other form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the chairman of the meeting then is.
- 19.3 Save with the consent of an Investor Director:
- (a) the Board shall not delegate any of its powers to a committee; and
 - (b) meetings of the Board shall not be held outside the United Kingdom.
- 19.4 The chairman of the Board shall not have a second or casting vote at a meeting of the Board. The fifth sentence of Regulation 88 shall not apply.
- 19.5 Subject to disclosure under section 317 Companies Act, a director may vote at any meeting of the Board on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which conflicts or may conflict with the interests of the Company. Regulations 94 and 95 shall not apply.

20 Retirement of directors

- 20.1 Directors shall not be required to retire by rotation. Regulations 67 and 78 shall be modified accordingly. Regulations 73 to 77, the second and third sentences of Regulation 79, Regulation 80 and the last sentence of Regulation 84 shall not apply.
- 20.2 The office of a director shall be vacated if:
- (a) (being an executive director) he ceases to be employed by any member of the Group; and
 - (b) a majority of the Board (excluding that director in calculating such majority) so requires.

Regulation 81 shall be extended accordingly.

21 Notices

- 21.1 Any notice to be given to the Company pursuant to these articles shall be sent to the registered office of the Company or presented at a meeting of the Board.
- 21.2 Any notice to be given pursuant to these articles may be given by facsimile transmission to the facsimile number maintained at the relevant address of the addressee. Such a notice shall be conclusively deemed to have been properly given at the time shown on the transmission report received by the sender.
- 21.3 The words "unless the contrary is proved" shall be omitted from the second sentence of Regulation 115 and the figure "24" shall be inserted in substitution for the figure "48" in the second sentence of that regulation. Any notice or other document delivered or left at a

registered address otherwise than by post shall be deemed to have been served or delivered on the day it was so delivered or left.

22 Indemnity

- 22.1 Subject to the provisions of the Companies Act, but without prejudice to any other indemnity to which the person concerned may otherwise be entitled, every director, alternate director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or the exercise of his powers or otherwise in relation thereto. Regulation 118 shall be extended accordingly.
- 22.2 Subject to the written consent of the Investor Director, the directors may exercise all the powers of the Company to purchase and maintain for every director or other officer insurance against any liability for negligence, default, breach of duty or breach of trust or any other liability which may be lawfully insured against.