

**ARTICLES OF ASSOCIATION**  
**OF**  
**POCKET WATCH PROJECTS LIMITED**

**adopted by Special Resolution passed on 7<sup>th</sup> September 2000**

Company number: SC209628

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Certified a true copy of the Articles of Association of  
Pocket Watch Projects Limited adopted by Special  
Resolution of the Members of the Company on 7<sup>th</sup> September 2000

*Kenny Shwital*  
.....  
*Director*

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**THE COMPANIES ACT 1985**  
**PRIVATE COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
**OF**  
**POCKET WATCH PROJECTS LIMITED**

(Company number: SC209623)

(adopted by Special Resolution passed on 7<sup>th</sup> September 2000)

**1. INTERPRETATION**

1.1 In these Articles, unless the context requires otherwise, the following expressions shall have the following meanings:-

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|---------------------|--|
| <b>“Act”</b>        | means the Companies Act 1985 as amended or re-enacted from time to time;   |
| <b>“Articles”</b>   | means the Articles of Association of the Company for the time being in force;  |
| <b>“Bad Leaver”</b> | means the cessation of employment or holding of office of Director other than by reason of:- <ul style="list-style-type: none"><li>(a) wrongful dismissal of the employee by the Company;</li><li>(b) the employee leaving employment for reasons of ill health or disability as certified to the Board's reasonable satisfaction by an independent doctor or where the death or long term illness or disability of a spouse, long term partner or child of the employee makes it reasonably necessary for the employee to provide care for himself or herself to that spouse, partner or child;</li><li>(c) the unfair dismissal of the employee;</li><li>(d) the dismissal of the employee by reason of redundancy;</li><li>(e) the death of the employee or the Director (as the case may be);</li><li>(f) the retirement of the employee at the normal retirement of 65 years of age (or such other as is mutually agreed between the Company and the Director/employee);</li><li>(g) the removal of a Director and employee as Director in circumstances where simultaneous dismissal as an employee would fall within the categories in paragraph (c) above;</li><li>(h) where such cessation occurs after the fifth anniversary of the date of commencement</li></ul> |

	of employment or holding of office or of the date of adoption of these Articles (whichever is later), except where such cessation occurs in circumstances justifying summary dismissal of an employee (including without limitation gross misconduct or dishonesty);
<b>“Board”</b>	means the board of Directors of the Company for the time being;
<b>“the Company”</b>	means this Company;
<b>“Change of Control”</b>	means any person (other than ETF or a member of the Company as at the date of these Articles) acquiring a Controlling Interest;
<b>“Controlling Interest”</b>	means an interest (within the meaning of Part I of Schedule 13 to the Act) in any shares in the capital of the Company conferring in aggregate more than 50 per cent of the total voting rights conferred by all the shares of the capital of the Company from time to time in issue and conferring the right to vote at all general meetings of the Company;
<b>“ETF”</b>	means Edinburgh Technology Fund Limited, registered in Scotland under the company number SC92426 and having its registered office at Roslin BioCentre, Roslin Midlothian EH25 9PS
<b>“ETF Director”</b>	means a Director appointed by ETF pursuant to Article 21.3;
<b>“ETF Group”</b>	means ETF or any holding company or subsidiary thereof from time to time;
<b>“Expert”</b>	means an independent expert appointed by agreement between the members, or in the absence of such agreement appointed by the president for the time being of the Institute of Chartered Accounts of Scotland. The Expert’s determination shall (save in case of fraud or manifest error) be final and binding on the parties.
<b>“Fair Value”</b>	means, in respect of shares, the fair market value of those shares are determined by an Expert. Fair Value shall be calculated as at the date of appointment of the Expert and shall be based upon the following assumptions:- (a) an arm’s length sale between a willing vendor and a willing purchaser; (b) if the Company is carrying on as a going concern, on the assumption that it will continue to do so; (c) that the shares are capable of being transferred without restriction; (d) that no account is to be taken of the minority or majority interest of the shares in question.
<b>“Family”</b>	means, in relation to a member of the Company, any wife, widow, husband or widower and children over the age of 18 years (whether natural or adopted) of the member of the Company himself or herself;
<b>“Floatation”</b>	means in relation to any of the issued share capital

- of the Company or any of its subsidiaries the admission of the same to the Official List of the London Stock Exchange or the grant of permission by the London Stock Exchange for the same to be dealt with on the Alternative Investment Market of the London Stock Exchange or on any recognised investment exchange (within the meaning of Section 207 of the Financial Services Act 1986);
- “Further Funding”** means the issue of shares to any person not being a member of the Company as at the date of adoption of these Articles, other than to ETF or to any employee of the Company;
- “group company”** means a company which is a subsidiary or holding company;
- “holder”** in relation to shares means the member whose name is entered in the register of members as the holder of the shares;
- “holding company”** has the meaning attributed to it in Section 736 of the Act;
- “officer”** means an officer of the Company and includes a Director, the Secretary or a manager;
- “Redemption Price”** means the sum calculated in accordance with Article 6.2;
- “subsidiary”** has the meaning attributed to it in Section 736 of the Act;
- “Table A”** means Table A in the Schedule to the Companies (Tables A-F) Regulations 1985;
- “Transfer Notice”** means a notice given or deemed to be given pursuant to Articles 12.1, 13.4 and 14.1 and a Transfer Notice shall include a Deemed Transfer Notice;
- “Transfer Price”** means the price per share determined in accordance with Article 12.4.
- 1.2 Unless the context requires otherwise, the words or expressions contained in these Articles bear the same meaning as in the Act or, in the Companies Act 1989, but excluding any statutory modification thereof not in force on the date of adoption of these Articles.
- 1.3 In these Articles:
- 1.3.1 Article headings are included for convenience only and shall not affect the construction of these Articles.
- 1.3.2 Words denoting the singular shall include the plural and vice versa.
- 1.3.3 Words denoting one gender shall include each gender and all genders.
- 1.3.4 References to persons shall be deemed to include references to natural persons, to firms, to partnerships, to companies, to corporations, to associations, to organisations and to trusts (in each case whether or not having separate legal personality).

## 2. TABLE A

The Regulations contained in Table A shall apply to the Company except insofar as they are excluded by or inconsistent with the Articles. References herein to “Regulations” are to Regulations in Table A.

### 3. REGULATIONS

- 3.1 Regulation 38 shall be modified by the addition of the words "General Meetings shall be held at the Company's normal place of business unless otherwise agreed by the holders of 75% in nominal value of the share capital in issue".
- 3.2 Regulation 37 relating to requisition by members of an extraordinary general meeting shall be amended by replacing the words "eight weeks" with the words "twenty one days".

### 4. AUTHORISED CAPITAL

The authorised share capital of the Company at the adoption of these Articles is £2,600 divided into 100 Ordinary Shares of £0.01 each and 2,500 redeemable preference shares ("Preference Shares") of £1 each, having attached thereto the respective rights set out in these Articles.

### 5. INCOME

- 5.1 Subject to any restrictions on payment of dividends imposed by law, the Company shall pay the Preference Dividend (defined below) in respect of the Preference Shares in accordance with Article 5.2 and may if it so determines pay the dividends set out in Articles 5.3 and 5.4.
- 5.2 Subject to Articles 5.4 and 6.5, the Preference Dividend shall be a fixed cumulative preferential net cash dividend (excluding tax credits) of six per cent. per annum of the amount paid up (including any premium paid on subscription) on each Preference Share remaining in issue at the relevant financial year end. The Preference Dividend shall accrue on each Preference Share from the date of its issue until the next occurring financial year end of the Company and thereafter accrue from financial year end to financial year end and shall be payable on the date fixed for redemption under Article 6.1 in respect of those Preference Shares to be redeemed.
- 5.3 Provided the Company has sufficient distributable profits to do so, the Company shall be entitled to pay, in advance of a due dividend payment date on account of the Preference Dividend, such dividends as it may determine to the holders of the Preference Shares.
- 5.4 In the event of redemption of a Preference Share on or prior to the end of a financial year, the Company shall upon redemption pay to the holder thereof a Preference Dividend on such Preference Share calculated in accordance with Article 5.2 but reduced proportionately on a daily basis in respect of any period less than a financial year PROVIDED THAT if Preference Shares are redeemed within 6 months of allotment, such Preference Shares shall not carry any right to any dividends.
- 5.5 No dividend shall be declared or paid to the holders of Ordinary Shares in respect of any financial year of the Company unless and until:-
  - 5.5.1 the Preference Dividend that has accrued in respect of that financial year and in respect of all previous financial years of the Company has been paid in full; and
  - 5.5.2 all Preference Shares which have fallen due for redemption have been redeemed.
- 5.6 Every dividend shall be distributed to the appropriate shareholders pro rata according to the number of fully paid up shares of the appropriate class held by them respectively.
- 5.7 Unless the Company has insufficient profits available for distribution and the Company is thereby prohibited from paying dividends by law, the Preference Dividend shall (notwithstanding that there has not been a recommendation of the Directors or a resolution of the Company in general meeting) be paid immediately on the due date and if not then paid shall be a debt due by the Company and be payable in priority to any other dividend.
- 5.8 Subject to the provisions of the Act, the Company shall cause each subsidiary of the Company (if any) to make such distributions to the Company as to enable it to pay all Preference Dividends (or so much of them as the distributable profits of the subsidiaries and of the Company permit).
- 5.9 In the event that whether by reason of any principle of law or otherwise the Company is unable to pay any Preference Dividend in full on any dividend payment date, the following provisions shall apply:-

- 5.9.1 the Company shall pay on the due dividend payment date on account of the relevant dividend the maximum sum which can be properly paid by the Company;
- 5.9.2 the Company shall pay on every succeeding dividend payment date (and may pay at any time after the due dividend payment date) on account of the balance of the relevant dividend remaining outstanding the maximum sum (if any) which can be properly paid by the Company;
- 5.9.3 if a Preference Dividend is not paid in full when due on a dividend payment date interest shall be payable on the amount of the unpaid Preference Dividend from the relevant dividend payment date until the date of actual payment at the rate of six per cent. above the Royal Bank of Scotland base rate. Such interest shall accrue daily and shall be payable monthly in arrears until the date of actual payment of the Preference Dividend when any amount accrued and outstanding shall be paid together with the unpaid Preference Dividend.

## 6. REDEMPTION AND CONVERSION

- 6.1 The Company shall, subject to the provisions of the Act, redeem the Preference Shares in three equal yearly instalments on each of the fifth, sixth and seventh anniversaries of [*insert date*] by paying thereon to the holders thereof the Redemption Price (as defined below).
- 6.2 The Redemption Price in relation to a Preference Share shall be an amount corresponding to the subscription price plus any premium paid for such Preference Share together with any arrears, deficiencies or accruals of dividends and any accrued interest thereon, calculated down to the date of redemption.
- 6.3 Upon a Floatation or upon Further Funding, all outstanding Preference Shares shall at the option of each holder thereof be redeemed by the Company on or immediately prior to such occurrence by paying the Redemption Price in respect of each such share to be redeemed.
- 6.4 Each redemption of some but not all of the Preference Shares shall be made amongst the holders thereof pro rata to their holding of Preference Shares.
- 6.5 If the Company fails to redeem any of the Preference Shares on the date fixed for redemption, the Preference Dividend on such unredeemed Preference Shares shall be increased to an amount equal to six per cent. above the Royal Bank of Scotland base rate and such increased Preference Dividend shall continue to accrue to the date of actual payment of the monies due on redemption in respect of such Preference Share.
- 6.6 No Preference Share shall be redeemed (whether or not at the date fixed for redemption) unless all arrears, deficiencies or accruals of dividends on the Preference Shares and interest shall first have been made good in full.
- 6.7 Any holder of Preference Shares shall be entitled to forego or postpone any right to some or all outstanding dividends or interest or redemption and any such action shall be without prejudice to the later enforcement of that particular holder's rights hereunder.
- 6.8 At the date specified in the Articles for redemption, each registered holder of the Preference Shares shall be bound to surrender to the Company the certificate for the shares which are redeemed in order that the same may be cancelled, and upon such surrender, the Company shall pay such registered holder such amount payable in respect of such redemption provided that if any certificate surrendered to the Company includes any shares not redeemable on the occasion on which it is to be surrendered, a fresh certificate for the balance of the shares not redeemed on that occasion shall be issued to the holder surrendering such certificate to the Company.
- 6.9 Subject to:-
  - 6.9.1 the provisions of the Act; and
  - 6.9.2 payment of all arrears, deficiencies and accruals of dividend and interest payable on the Preference Shares,
 the Company shall have the right at any time to redeem in tranches of a minimum of £1,000 each the whole or any part of the Preference Shares for the time being in issue upon giving the holders of such shares to be redeemed not less than one month's prior written notice.

- 6.10 Where Preference Shares are redeemed in advance of the requirements of Article 6.1, they shall be treated as satisfying or partly satisfying (as the case may be) those requirements in reverse order in which the obligations to redeem arise.
- 6.11 Upon a Floatation or Change of Control or in the event that the Preference Shares are not redeemed in accordance with the requirements of Article 6.1, each holder of Preference Shares shall have the right at any time by notice in writing to the Company to require the conversion of any or all of his or its holding of Preference Shares into Ordinary Shares in the capital of the Company on the basis of one Ordinary Share for five Preference Shares. The holder(s) of such Preference Shares shall be entitled to state that the conversion shall be conditional upon the occurrence of the Floatation or Change of Control.
- 6.12 Conversion shall take effect following delivery of the relevant notice without further resolution or action by the Directors or the members of the Company. Forthwith following conversion, the holders of the Preference Shares shall send the Company their certificates for those Preference Shares and against receipt thereof the Company shall issue to the person entitled thereto certificates for Ordinary Shares arising on conversion and, if appropriate, a balance certificate for any Preference Shares remaining unconverted.
- 6.13 On the date of conversion, or as soon thereafter as payment shall be lawful, the Company shall pay a dividend to the holders of the Preference Shares of a sum equal to any arrears, deficiencies or accruals of the dividends (and interest thereon) on the Preference Shares calculated on a daily basis down to the date of conversion.

## 7. CAPITAL

- 7.1 On a return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be applied as follows:
- 7.1.1 first in paying to the holders of Preference Shares, the subscription price including any premium paid on the Preference Shares and any arrears, deficiencies or accruals of due or declared but unpaid dividends, including enhanced dividends referred to in Article 6.5 and any accrued interest;
- 7.1.2 thereafter any excess assets (in the case of a return of assets) shall be divided equally amongst the holders of the Ordinary Shares.

## 8. VOTING

- 8.1 The holders of the Preference Shares shall be entitled to receive notice of and to attend all general meetings, but shall not be entitled to vote at any general meetings unless:-
- 8.1.1 at the date of the notice or requisition to convene the meeting any dividend on the Preference Shares is in arrears; or
- 8.1.2 at the date of the notice or requisition to convene the meeting any redemption of Preference Shares which is due to have been made has not occurred; or
- 8.1.3 the business of the meeting includes the consideration of a resolution relating to an alteration of the class rights attaching to the Preference Shares including a deemed variation of class rights as set out in Article 9;
- in which case every holder of Preference Shares shall be entitled to one vote for each 5 Preference Shares held by him.
- 8.2 The holders of the Ordinary Shares shall be entitled to one vote for each such share held.
- 8.3 Where a Transfer Notice has been served or is deemed to have been served by any member who was or is a Director or employee of the Company or any subsidiary of the Company or by a member of his Family, such holder of shares specified in such Transfer Notice shall not be entitled to attend any general meeting and the voting rights attached to the shares specified in such Transfer Notice shall be suspended with effect from the earlier of the date of the Transfer Notice and the date such Director or employee ceased to be a Director or employed by the Company or any of its subsidiaries and shall not be exercisable until such shares are registered in the name of the transferee in the Company's books.



## 9. CLASS RIGHTS

- 9.1 Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated only with the consent in writing of 75% of the issued shares of that class. Without prejudice to the foregoing generality, the Company shall not, without the prior written consent of ETF (for as long as ETF holds shares in the Company), nor without the prior written consent of 75% of the holders of the Preference Shares:-
- 9.1.1 make a change in its Memorandum or Articles of Association;
  - 9.1.2 give, vary, revoke or review any authority of the Directors of the Company to allot relevant securities pursuant to Section 80 of the Act;
  - 9.1.3 vary, add to or reduce or repay its issued or authorised share capital or loan capital (if any) or create or issue any warrants, options or other rights over or for conversion into share capital or generally carry out any form of financial or capital restructuring of the Company or capitalisation of profits, share premium account or reserves.
  - 9.1.4 voluntarily wind up or dissolve the company;
  - 9.1.5 put to any general meeting any resolution to voluntarily wind up or dissolve the company;
  - 9.1.6 enter into any compromise or arrangement to which the Act or the Insolvency Act 1986 applies;
  - 9.1.7 enter into any transaction arrangement or agreement with a Director or shareholder or an associate thereof or any person connected with any such Director or shareholder (and the term "connected" shall have the meaning ascribed to it by Section 839 of the Income and Corporation Taxes Act 1988);
  - 9.1.8 alter the accounting reference date or the registered office of the Company;
  - 9.1.9 merge, consolidate or sell the Company or a substantial part of its assets such as might reasonably be expected to reduce the value of the shares of the Company;
  - 9.1.10 alter the rights or privileges attaching to the Preference Shares;
  - 9.1.11 increase the number of Preference Shares, except as part of any arrangement by which ETF alone may be subscribing for additional Preference Shares;
  - 9.1.12 make any proposal for a purchase by the company of its own shares.
- 9.2 For the purposes of Article 9.1, the term "ETF" shall include any member of the ETF Group from time to time holding shares in the Company and the special rights of ETF set out in Article 9.1 shall constitute class rights attaching to the shares held by the members of the ETF Group.

## 10. FURTHER ISSUES OF SHARES

- 10.1 Notwithstanding any other provision of these Articles, the Directors shall be bound to offer to any member of the ETF Group, for as long as it holds shares in the Company, such a proportion of any shares forming part of the share capital of the Company which the Directors determine to issue as the aggregate nominal value of the shares in the share capital of the Company for the time being held by such member of the ETF Group bears to the total issued share capital of the Company immediately prior to the issue of the shares and such member of the ETF Group shall have not less than 21 days to accept the same. Any shares issued to a member of the ETF Group pursuant to such offers shall be issued upon terms and conditions that are no less beneficial as to payment and otherwise than those made to other shareholders (unless such ETF Group members agree otherwise in writing).

## 11. TRANSFERS OF SHARES

- 11.1 No member shall dispose of any share except:-
- 11.1.1 as permitted by and in accordance with Article 12 (procedure on transfer) or Article 13 (permitted transfers) or Article 15 (transfer of control);
  - 11.1.2 as required by Article 14 (compulsory transfers) or under any other obligation under these Articles;

(but subject always to the restrictions contained in Article 11.3 below) and the Directors shall decline to register any transfer not made in accordance with the provisions of these Articles or of any share on which the Company has a lien.

- 11.2 Reference in Article 11.1 to disposing of shares shall include disposing of any interest in or right attaching to any share or renouncing or assigning any right to receive or subscribe for any shares or creating or permitting to exist any charge, lien, encumbrance or trust over any share or agreeing to do any such thing.
- 11.3 No share shall in any circumstance be issued or transferred to any minor, bankrupt or person of unsound mind.

## 12. PROCEDURE ON TRANSFER

- 12.1 A member ("Transferor") proposing to transfer his shares or any of them shall give notice in writing (a "Transfer Notice") to the Company specifying the number of shares which he desires to transfer, the price of which he proposes to transfer the shares ("Suggested Price") and the name of any third party to whom he proposes to sell or transfer the shares. Where a Transfer Notice is deemed to have been given pursuant to Article 14 (compulsory transfers) or otherwise, it is referred to as a Deemed Transfer Notice. Transfer Notices and Deemed Transfer Notices shall constitute the Company as the Transferor's agent for the sale of the shares specified therein ("the Sale Shares") at the Transfer Price calculated in accordance with Article 12.4.
- 12.2 A Transferor (except a Transferor under a Deemed Transfer Notice) shall be entitled to state in the Transfer Notice a provision that unless all the shares comprised therein are sold, none shall be sold ("Total Transfer Condition").
- 12.3 Within seven days after receipt of any Transfer Notice or as soon as possible after becoming aware of the Deemed Transfer Notice, the Directors shall serve notice on all the members specifying:-
  - 12.3.1 in the case of a Transfer Notice which is not a Deemed transfer Notice – the number of Sale Shares, the Suggested Price and the proposed transferee (if applicable);
  - 12.3.2 in the case of a Deemed Transfer Notice – the number of Sale Shares.
- 12.4 The Transfer Price shall be determined as follows:-
  - 12.4.1 where the Transfer Notice is not a Deemed Transfer Notice, the Transfer Price for the Sale Shares shall be the Suggested Price (unless otherwise agreed between all the members of the Company within 14 days of the date of the notice served by the Directors under Article 12.3).
  - 12.4.2 Where the Transfer is a Deemed Transfer Notice, the Transfer Price for the Sale Shares shall be as agreed between all the members of the Company or, failing agreement within 14 days of the date of the notice served by the Directors under Article 12.3, as calculated in accordance with Article 14.2.
- 12.5 Within seven days of the determination of the Transfer Price pursuant to Article 12.4, the Directors shall by notice in writing ("Offer Notice"):
  - 12.5.1 inform the members (including the Transferor) of the Transfer Price;
  - 12.5.2 offer the Sale of Shares to the members (other than the Transferor) as follows (stating their respective proportionate entitlements):-
    - (a) Preference Shares shall be offered to all the holders of Preference Shares (other than the Transferor) in proportion as nearly as may be to the respective number of Preference Shares held by such members;
    - (b) Ordinary Shares shall be offered to all the holders of Ordinary Shares (other than the Transferor) in proportion as nearly as may be to the respective numbers of Ordinary Shares held by such members;
  - 12.5.3 state the period (not being less than 14 days) within which the offer, if not accepted, will be deemed to be declined;
  - 12.5.4 state whether or not the Transfer Notice contained a Total Transfer Condition;

- 12.5.5 state that each member may offer to subscribe for any number of Sale Shares (over and above that member's proportionate entitlement) that are offered to but not accepted by the other members.
- 12.6 After the expiry of the period for acceptance referred to in Article 12.5.3, the Directors shall allocate the Sale Shares in the following manner:-
- 12.6.1 to each member who has agreed to purchase shares ("Applicant") in proportion to the number of shares held by him or such lesser number of Sale Shares as he may have applied for;
- 12.6.2 if any Applicant has applied for less than his proportionate entitlement, the excess shall be allocated to Applicants who have applied for all or any part of such excess in proportion to the number of shares then held by them provided always that no Applicant shall be allocated more Sale Shares than such member applied for.
- 12.7 If, by the foregoing procedure, the Directors shall not have received acceptances from members in respect of all the Sale Shares within the period for acceptance as aforesaid, the Directors shall offer such shares as follows:-
- 12.7.1 in the case of Preference Shares, to all the holders of Ordinary Shares (other than the Transferor) in proportion as nearly as may be to the respective number of Ordinary Shares held by such members; and
- 12.7.2 in the case of Ordinary Shares, to all holders of Preference Shares (other than the Transferor) in proportion as nearly as may be to the respective number of Preference Shares held by such members;
- and the offer notice shall be in like terms to the Offer Notice referred to in Article 12.5 (other than with regard to 12.5.2) and after the expiry of the period for acceptance the Directors shall allocate the Sale Shares in accordance with the provisions of Article 12.6.
- 12.8 If the Transfer Notice contained a Total Transfer Condition, where acceptances have not been received in respect of all the Sale Shares pursuant to the foregoing procedure, all the members shall be deemed to have declined the Sale Shares.
- 12.9 The Directors shall forthwith upon the expiry of the relevant period(s) in Articles 12.6 and 12.7 give notice ("Allocation Notice") to the Transferor and to each of the Applicants of the allocation of Sale Shares in accordance with those Articles, specifying the numbers of Sale Shares allocated to each Applicant and the place and the time (being not later than seven days after the Allocation Notice) at which each of the parties shall be bound to complete the sale and purchase of such Sale Shares. The Transferor shall be bound, upon receipt of the payment of the Transfer Price in respect of each Sale Share, to transfer the Sale Shares comprised in the Allocation Notice to the Applicant named therein at the time and place specified therein.
- 12.10 If the Transferor defaults in transferring the Sale Shares:
- 12.10.1 the Chairman for the time being of the Company or failing him one of the Directors or some other person duly nominated by the Board for that purpose shall be deemed to be the duly appointed attorney of the Transferor with full power to execute, complete and deliver in the name of and on behalf of the Transferor, a transfer of the relevant Sale Shares to the Applicant;
- 12.10.2 the Directors may receive and give good discharge for the Transfer Price on behalf of the Transferor and (subject to the transfer being duly stamped) enter the name of the Applicant in the Register of Members as the holder by transfer of the Relevant Shares;
- 12.10.3 the Directors shall forthwith pay the Transfer Price into a separate bank account in the Company's name and if and when the Transferor shall deliver up his certificate(s) for the relevant Sale Shares to the Company (or an appropriate indemnity in respect of lost certificates) then he shall be paid the Transfer Price (without interest and less any sums owed to the Company by the Transferor pursuant to these Articles or otherwise);
- 12.10.4 if such certificate includes any shares which the Transferor has not become bound to transfer as aforesaid, the Company shall issue to him a balance certificate of such shares.

- 12.11 If by the foregoing transfer procedure, not all the Sale Shares have been allocated to Applicants, then the Transferor shall be entitled within a period of six months after the date of the Allocation Notice:-
- 12.11.1 where the Transfer Notice contained a Total Transfer Condition, to sell all (but not some only) of the Sale Shares to any person (whether or not a member) at a price which is not less than the Transfer Price (after deducting, where appropriate, the amount of net dividend or any other distribution to be retained by the Transferor);
- 12.11.2 where the Transfer Notice did not contain any Total Transfer Condition, to sell to any person (whether or not a member) any or all of the Sale Shares for which acceptances were not received from the members pursuant to the foregoing transfer procedure at any price which is not less than the Transfer Price (after deducting, where appropriate, the amount of any net dividend or other distribution to be retained by the Transferor);
- 12.11.3 and the Directors shall register the transfers pursuant to a sale under article 12.11.1 or 12.11.2 above.
- 12.12 The provisions of this Article 12 may be waived on a case by case basis by the written consent of all the members.

### **13. PERMITTED TRANSFERS**

- 13.1 A member being an individual may at any time transfer any or all of the shares held by him to a member of his Family.
- 13.2 A member being a corporate entity may at any time transfer any or all of the shares held by it to a group company.
- 13.3 In the event that a permitted transfer has occurred pursuant to the provisions of this Article 13 and the transferor is subsequently deemed to have served a Transfer Notice under the provisions of Article 14 (compulsory transfers), any such transferred shares held by a Family member or group company of the transferor shall be subject to the provisions of Article 14 as if they still constituted part of the transferor's holding.
- 13.4 In the event that a person ceases to qualify as Family or any company ceases to qualify as a group company, the shares shall be transferred back to the person who transferred them or to any other person falling within the required relationship under Article 13.1 or 13.2 and if the holder of such shares fails to transfer the shares in those circumstances, such holder shall be deemed to have served a Transfer Notice indicating that he wishes to transfer all of the shares in the Company and shall be deemed to have constituted the Company as the agent for the sale of such shares in accordance with the provisions of Article 12 (procedure on transfer) at the Transfer Price determined in accordance with Article 12.4.2.
- 13.5 The Directors may require to be satisfied in such manner as they may reasonably require that a particular transfer of shares is permitted under these Articles and require the transferring member or person named as the transferee in a transfer lodged for registration to furnish the Directors with such information and evidence as they may think reasonably necessary or relevant, and failing such information or evidence being furnished within a period of 28 days after such request, the Directors shall be free to refuse to register such transfer.

### **14. COMPULSORY TRANSFERS**

- 14.1 Where any of the following events occurs in relation to a member, the member in question shall be deemed to have immediately given a Transfer Notice in respect of all the shares as then registered in the name of such member and the provisions of Article 12 regarding Deemed Transfer Notices shall apply:-
- 14.1.1 In relation to a member being an individual:-
- (a) such member is adjudicated bankrupt; or
  - (b) such member is suffering from a mental disorder as referred to in paragraph (c) of Regulation 81; or
  - (c) such member ceases to be a Director and/or employee of the Company or of any group company of the Company;

- 14.1.2 In relation to a member being a body corporate:-
- (a) a receiver, manager or administrative receiver is appointed in respect of such member or over all or any part of its undertaking or its assets; or
  - (b) such member enters into liquidation (other than a voluntary liquidation for the purposes of a bona fide scheme of solvent amalgamation or reconstruction); or
  - (c) such members ceases to be controlled (as defined by Section 416 of the Income and Corporation taxes Act 1988) by the person(s) who controlled such member on the date on which it became the member of the Company or the date of adoption of these Articles (whichever is later).
- 14.2 The Transfer Price applicable to the transfers under Article 14.1 shall be calculated as follows:-
- 14.2.1 where the event giving rise to the Deemed Transfer Notice is the event referred to in Article 14.1.3 and such member is a Bad Leaver, the Transfer Price shall be the lower of (i) par value of the shares and (ii) the Fair Value.
- 14.2.2 in all other circumstances, the Transfer Price shall be Fair Value.
- 14.3 Any obligation to transfer a share under the provisions of this Article 14 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.
- 14.4 The provisions of this Article 14 may be waived in whole or in part in any particular case with the prior written consent of all the members.

## 15. TRANSFER OF CONTROL

- 15.1 No sale or transfer of any share conferring the right to vote at general meetings of the Company shall be made or registered without the prior consent in writing of ETF, for as long as ETF remains a shareholder of the Company, if it would result in a Controlling Interest in the Company being obtained by a company in which one or more of the members of the Company (or person acting in concert with them) has a Controlling Interest.
- 15.2 No sale or transfer of any share (the "Specified Shares") conferring the right to vote at general meetings of the Company shall be made or registered without the prior consent in writing of ETF, for as long as ETF remains a shareholder of the Company, if it would result in a person or persons (other than the members who are registered as holders of shares in the Company as at the date of adoption of these Articles) obtaining direct or indirect control of a Controlling Interest unless before the transfer is lodged for registration, the proposed transferee has offered to purchase all of the shares of the Company from time to time held by ETF at the Specified Price as hereinafter defined.
- 15.3 For the purposes of Article 15.2, the "Specified Price" shall mean:-
- 15.3.1 in respect of Ordinary Shares, a price per share at least equal to that offered by the proposed transferee or transferees for the Specified Shares together with all accruals or arrears of dividend or interest thereon together with 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 an addition to the price paid or payable for the Specified Shares. In the event of a disagreement about the calculation of the Specified Price, the disagreement shall be referred to an Expert. The costs of the Expert shall be borne by the Company in the event that no transfer subsequently occurs or shall be shared between the transferee and ETF in the event that the transfer does subsequently occur, unless decided otherwise at the sole discretion of the Expert;
- 15.3.2 in the case of Preference Shares, the greater of:
- (a) a price per share as though the Preference Shares had been converted into Ordinary Shares on the basis of one Ordinary Shares for each five Preference Shares (as such price would be calculated in accordance with Article 15.3.1 above) plus a sum equal to the arrears, deficiencies and accruals of the dividends

and interest on the Preference Shares calculated on a daily basis down to the date of conversion and the corresponding tax credits on such dividends; or

- (b) an amount equal to the Redemption Price of such Preference Shares had those shares been redeemed at the date of the purchase of the Specified Shares together with any tax credits that would have attached to dividends.

15.4 Following agreement on the Specified Price, the transferee shall serve a written notice on ETF offering to purchase its shares at the relevant Specified Price. The offer shall remain open for acceptance before 30 days from the date of service. Other than as expressly provided for herein, the purchase of any shares pursuant to this Article 15 shall be on the same terms and conditions as the purchase of the Specified Shares. The purchase of the Specified Shares and the purchase of any other shares pursuant to this Article 15 shall be completed simultaneously.

15.5 For the purposes of Articles 15.1 and 15.2:

15.5.1 the expressions "transfer" and "transferee" shall include respectively the renunciation of a renounceable letter of allotment or renounceable share certificate and the original allottee and the renounee under any such letter of allotment or certificate;

15.5.2 the term "ETF" shall include any member of the ETF Group from time to time holding shares in the Company.

## 16. LIEN

16.1 The lien conferred by Regulation 8 shall attach also to fully paid up shares and the Company shall also have a first and paramount lien on all shares, whether fully paid up or not, standing registered in the name of any person indebted or under liability to the Company, whether he shall be the sole registered holder thereof or shall be one of two or more joint holders, for all monies presently payable by him or his estate to the Company. Furthermore, such lien shall extend to all amounts payable in respect of a share. The Directors may at any time declare any share to be wholly or partially exempt from the provisions of this Article.

## 17. CALLS

17.1 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 the words "and all expenses that may have been incurred by the Company by reason of non-payment of the call".

## 18. PROCEEDINGS AT GENERAL MEETINGS

18.1 No business shall be transacted at any meeting of the members of the Company unless a quorum is present at the time when the meeting proceeds to business.

18.2 Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation, shall be a quorum. Regulation 40 shall not apply.

18.3 If a quorum is not present within half an hour of the time appointed for a General Meeting, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week, at the same time and place (or to such other date and at such other time and place as all the members may agree in writing). If at such adjourned meeting, a quorum is not present within half an hour from the time appointed for the meeting, any two members present in person or by proxy shall be quorum. Regulation 41 shall not apply.

18.4 A poll may be demanded at any General Meeting by any member present in person or by proxy and entitled to vote. Regulation 46 shall be modified accordingly.

18.5 An instrument appointing a proxy may, in the case of a corporation, be signed on its behalf by a Director or the secretary thereof or by its duly appointed attorney or duly authorised representative.

18.6 The Chairman of a General Meeting shall not be entitled to a second or casting vote. Regulation 50 shall not apply.

18.7 On a show of hands or on a poll, votes may be given either personally or by proxy.

## **19. NUMBER OF DIRECTORS**

19.1 Unless otherwise determined by Ordinary Resolution, the number of Directors (other than alternate Directors) shall be at least two and not be more than five.

## **20. ALTERNATE DIRECTORS**

20.1 A Director (other than an alternate Director) may appoint any person to be alternate Director and may remove from office an alternate Director appointed by him.

20.2 When an alternate Director is also a Director or acts as an alternate Director for more than one Director, he shall have one vote for every Director represented by him (in addition to his own vote if he is himself a Director) but he shall count only as one for the purpose of determining whether a quorum is present.

## **21. APPOINTMENT AND RETIREMENT OF DIRECTORS**

21.1 The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director (but not to fill the vacancy of the ETF Director).

21.2 In addition, the holders of more than 50% of the shares which carry the rights to attend and vote at general meetings of the Company may by notice to the Company appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director (but not to fill the vacancy of the ETF Director) and such right to appoint shall carry the corresponding right to remove the Director so appointed.

21.3 Notwithstanding any other provisions of these Articles (including any limitation on the number of Directors), so long as ETF is the holder of shares in the Company, it shall be entitled to appoint a Director to the Company ("ETF Director"). The right to appoint any such ETF Director shall carry the corresponding right to remove such appointee and appoint another person in his place. The appointment and removal of the ETF Director shall, unless otherwise agreed between ETF and the Company, be effected by a notice or notices in writing signed on behalf of ETF and given to the Company at its registered office and shall take effect forthwith upon receipt.

21.4 Upon the request of ETF, the Company shall also procure that the ETF Director be appointed a Director to any subsidiary of the Company.

21.5 For the purposes of Articles 21.3 and 21.4, the term "ETF" shall include such members of the ETF Group from time to time holding shares in the Company.

21.6 Directors are not subject to retirement by rotation.

21.7 No Director shall be appointed otherwise than as provided in these Articles.

21.8 There is no age limit for Directors of the Company.

21.9 A Director is not required to hold any qualifying shares in the Company.

## **22. DISQUALIFICATION AND REMOVAL OF DIRECTORS**

22.1 Regulation 81 shall be modified by deleting paragraph (e) thereof. The office of a Director shall also be vacated if he shall be removed from office as hereinbefore provided.

## **23. PROCEEDINGS OF DIRECTORS**

23.1 The Chairman of any meeting of the Directors or any Committee of the Directors shall not be entitled to a second or casting vote. Regulation 88 shall be modified accordingly.

23.2 Subject to Article 23.3, the quorum for the transaction of business of the Directors may be fixed by the Directors and unless so fixed at any other number shall be 2 Directors.

- 23.3 The requirements of quorum shall not be fulfilled at any meeting of the board of Directors at which the business to be transacted falls within the categories set out in Article 9 unless the ETF Director is present and at such meeting the ETF Director shall be entitled to such number of votes as shall constitute a majority on the board, provided that if the ETF Director shall not be present but shall have prior to the relevant meeting deposited a written notice consenting to the meeting being held in his absence then the quorum for such meeting shall be any two Directors.
- 23.4 A Director may participate in a meeting of the Board of Directors or of a committee of the Board by means of conference telephone or similar communications equipment whereby all the Directors participating in the meeting can hear each other, and the Directors participating in a meeting in this manner shall be deemed to be present in person at such meeting.
- 23.5 Subject to disclosure in accordance with Section 317 of the Act, a Director shall be entitled to vote at a meeting of Directors or of a Committee of Directors on any resolution concerning any matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Company.

## **24. BORROWING POWERS**

- 24.1 The Directors may exercise all the powers of the Company to borrow money without limit as to amount and in such manner as they think fit.
- 24.2 The Directors may grant security for all or for any sum or sums borrowed or to be borrowed, or for which the Company is or may be liable, and by way of such security may dispo, mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company including any uncalled capital, if any, or may dispo, transfer or convey the same absolutely or in trust and may give lenders or creditors power of sale and other usual and necessary powers, and may grant other securities for any debt, liability or obligation of the Company or of any third party.

## **25. COMPANY SEAL**

- 25.1 In Regulation 6, the words "or executed in accordance with Section 36B of the Act" shall be inserted after the words "sealed with the seal".

## **26. NOTICES**

- 26.1 Any notice required to be given by the Company by these Articles may be given by any visible form on paper, including telex, fax and electronic mail. A notice communicated by immediate transmission shall be deemed to be given at the time it is transmitted to the person to whom it is addressed. Regulations 111 and 112 shall be amended accordingly.

## **27. INDEMNITY**

- 27.1 Subject to the provisions of the Act but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director, Secretary, Auditor or other officer of the Company is entitled to be indemnified by the Company against all losses and liabilities sustained or incurred by him in the execution of his duties or in the exercise of his powers or otherwise in connection with his office, including any liability incurred by him (a) in defending proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or which are otherwise disposed of without any finding or admission of any material breach of duty on his part, or (b) in connection with any application in which relief is granted to him by the Court from liability in respect of any act or omission done or alleged to be done by him as an officer or employee of the Company.
- 27.2 The Company shall be entitled to purchase and maintain for the benefit of any officer or auditor of the Company insurance in respect of any liability of the kind referred to in section 310 of the Act.



## 28. APPROVALS

- 28.1 Where the approval, agreement or consent of any member or Director is required under any provision of these Articles to any particular matter, such approval, agreement or consent may be given subject to such terms and conditions as that member or Director may require and any breach of such terms and conditions shall ipso facto be deemed to be a breach of these Articles.