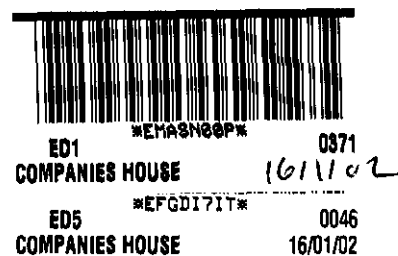


No. 2265140

THE COMPANIES ACT 1985



A PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION of BENFIELD GROUP PLC

(As adopted by Special Resolution passed on 2 December 1996 and amended by Special Resolutions passed on 2 October 1997, 10 November 1997, 31 December 1997, 31 July 1998, 24 November 1998, 4 June 1999, 25 October 1999, 24 May 2001, 18 June 2001 and 31 December 2001)

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PRELIMINARY

1. The regulations contained or incorporated in Table A of the Schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (such table being hereinafter referred to as "**Table A**") shall apply to the Company save in so far as they are excluded or varied hereby.

The following regulations of Table A shall not apply to the Company: 3, 54, 64, 65 to 69 (inclusive), 73 to 80 (inclusive), 84, 90, 93 to 98 (inclusive), 101, 104. In addition to the remaining regulations of Table A as varied hereby, the following shall be the regulations of the Company.

DEFINITIONS

2. In these Articles, unless the context otherwise requires:

"the Act" means the Companies Act 1985 including any modification, amendment or re-enactment thereof from time to time;

"Associate" means any person, being a registered holder of Ordinary Shares who is connected to an employee or former employee of (a) any body corporate in the Group and/or (b) any body corporate in the group which comprises or comprised Greig Fester Group Limited, where "connected" for this purpose means connected within the meanings contained in section 839 of the Income and Corporation Taxes Act 1988 and in section 346 of the Act (construed as if the reference therein to 'director' was a reference to 'employee' and as if section 346(2) did not contain the words "(not being himself a director of it)") and who acquired the registered title to such Ordinary Shares by virtue of such shares having been held by such employee at any time before they were held by such person or having been allotted to such person as a consequence of such employee's employment as aforesaid;"

"Auditors" means the auditors of the Company for the time being;

"Benfield Employee Benefit Trust" means the trust established by the Company for the benefit of its employees from time to time as constituted by Deed of Trust dated 29 September 1988;

"Benfield Employee Share Schemes" means the Company's share option scheme approved by the Board of the Inland Revenue on 2 February 1989 (as amended on 27 November 1991 and 20th May 1994) and the 1992 Employee Share Option Scheme approved by the shareholders in General Meeting on 6 May 1992 (together with any other share option scheme for the benefit of Directors or employees, or both, which the Company shall adopt in general meeting);

"the Board" means the board of Directors of the Company;

"Bridge Company" means a body corporate in which a member (or a person who was a member prior to transferring his shares to such company) holds a voting interest and a majority equity interest and which is formed solely for the purpose of enabling such member to hold indirectly an interest in shares of the Company whilst complying in all respects with the rules and regulations of any statute, statutory instrument or rule regulating the conduct of insurance business in any insurance market including investment in companies which conduct such business;"

"Convertible Shares" means the convertible shares of £1 each in the equity share capital of the Company and **"Convertible Shareholder"** means a registered holder of such shares;

"Convertible Preference Shares" means the cumulative redeemable convertible preference shares of one penny each in the capital of the Company and **"Convertible Preference Shareholder"** means a registered holder of such shares;

"corporate member" means any member which is a company or other body corporate;

"Directors" means the directors of the Company from time to time;

"Employee Trust" means any trust established by the Company or any member of the Group for the benefit of the employees of the Group from time to time including without limitation the Benfield Employee Benefit Trust;

“equity share capital”, “financial year”, “group”, “holding company”, “subsidiary” and “subsidiary undertaking” have the meanings respectively ascribed to them in the Act;

“Greig Fester Beneficiary” means a beneficiary (being an individual) under any employee share scheme (whether or not falling within the definition of “employees’ share scheme” contained in section 743 of the Act) of Greig Fester Group Limited or of any subsidiary or undertaking thereof including, without limitation the Greig Fester UK Employee Share Ownership Plan and the Greig Fester Overseas Employee Share Ownership Plan, the Greig Fester Group Senior Incentive Award Scheme and the Greig Fester Group 1993 Incentive Award Scheme;

“Greig Fester Trustee” means a trustee of any employee share scheme of Greig Fester Group Limited or any subsidiary or subsidiary undertaking of Greig Fester Group Limited including, without limitation a trustee of any of the Greig Fester UK Employee Share Ownership Plan, the Greig Fester Overseas Employee Share Ownership Plan, the Greig Fester Group Employee (Guernsey) Trust and the Greig Fester Group 1993 Employee (Guernsey) Trust;

“Group” means the Company and any subsidiary of the Company;

“Incentive Shares” means the incentive shares of 1p each in the capital of the Company which may be issued in separate series as provided by Article 4 having the respective rights set out in these Articles and “Incentive Shareholders” shall mean, registered holders of Incentive Shares of any series;

“Joint Venture Employee” means an employee of a body corporate or other entity which is an enterprise in which the Group has an interest as a joint venture party (“Joint Venture”);

“Listing” has the meaning given to it in Article 4(C)(a);

“listing rules”, “Official List” and “recognised investment exchange” have the meanings respectively ascribed to them in the Financial Services Act 1986;

“member of the relevant group” means, in relation to a corporate member, (i) a subsidiary, subsidiary undertaking or holding company of such corporate member, (ii) a fellow subsidiary or subsidiary undertaking of a holding company of such corporate member, or (iii) a Bridge Company;”

“Offer” means the offer by Rea Brothers Limited, on behalf of the Company, for the issued and to be issued and fully paid ordinary shares of 10p each in Greig Fester Group Limited on the terms and subject to the conditions set out in the offer document dated 15 October 1997 and any acquisition of such shares by or on behalf of the Company pursuant to Part XIII A of the Act;

“Ordinary Shares” means the ordinary shares of one penny each in the equity share capital of the Company and “Ordinary Shareholder” means a registered holder of such shares;

“Preferred Ordinary Shares” means the preferred ordinary shares of £1 each in the equity share capital of the Company and **“Preferred Ordinary Shareholder”** means a registered holder of such shares;

“prospective employee” means a person who has been, or is likely to be, offered employment with the Company by an employee or officer of the Company duly authorised to make such an offer;

“Reference Date” means, in relation to an allotment of Incentive Shares of any series, (i) 1 May (if that is the date of allotment); or (ii) 1 May immediately prior to the date of allotment of such Incentive Shares where such Incentive Shares are allotted on a date which falls after 1 May and before 1 November; or (iii) 1 May next following the date of allotment of such Incentive Shares where such Incentive Shares are allotted on a date which falls after 31 October and before 1 May provided that in relation to the first series of Incentive Shares, the Directors may choose a date falling between 14 November 1997 and 1 May 1998 (both dates inclusive) as the Reference Date which such date shall be recorded on the face of any share certificate for any Incentive Shares of that series;

“Relevant Event” means either :

- (i) the admission of any part of the issued share capital of the Company from time to time to listing or trading on a recognised investment exchange or an overseas investment exchange (in each case as defined in the Financial Services Act 1986); or
- (ii)
 - (aa) any person acquiring or agreeing to acquire or being granted the right to acquire, whether by a series of transactions over a period of time or otherwise, and whether conditionally or unconditionally, equity shares in the Company which (when taken together with any equity shares held or acquired or agreed to be acquired by, or in respect of which rights to acquire have been granted to, persons acting in concert with that person) carry 30% or more of the aggregate voting rights attaching to all shares of the Company then in issue; or
 - (bb) save in the case of (i) a solvent restructuring or (ii) intra-group transaction(s) among the Company and/or any of its wholly-owned subsidiaries, the Company agreeing (whether conditionally or unconditionally) to dispose of all or the principal part of its assets and/or business and/or goodwill and/or undertaking (including without prejudice to the generality of the foregoing the disposal of the majority of the shares held by the Company in, or the principal part of the assets held or business carried on by, Benfield Greig Limited),

(in either case **“a Disposal”**)

which in either case occurs on or before 30 September 2002;

"Series Third Anniversary" the third anniversary of the Reference Date of a series of Incentive Shares;

"shareholder" or **"member"** means a registered holder of any shares in the share capital of the Company;

"Stock Borrower" means a transferee pursuant to a bona fide stock lending arrangement within the meaning of Section 263B of the Taxation of Chargeable Gains Act 1992;

"Transfer Period" means the 28 day period commencing 1st May in each year or such other period of time as the Directors shall by written resolution decide upon; and

words importing the masculine gender include the feminine and neuter genders and vice versa and words importing the singular include the plural and vice versa.

ALLOTMENT OF SHARES

3. Subject to the provisions hereinafter expressed, the Directors are authorised for the purposes of sections 80 and 80A of the Act to exercise the power of the Company to allot shares to the amount of the authorised but unissued share capital of the Company at the time of adoption of these Articles and the Directors may offer, allot, grant options over or otherwise dispose of such shares to such persons, on such terms and in such manner as they think fit provided always that:-

- (i) save as provided in sub-paragraph (ii) below, the authority hereby given to the Directors to exercise the power of the Company to allot shares shall be for a period of five years from the date of adoption of these Articles;
- (ii) the members in general meeting may by ordinary resolution revoke or vary the authority in sub-paragraph (i) above;

Any reference hereto to the allotment of shares shall include a reference to the grant of any right to subscribe for, or to convert any security into shares, but shall not include any reference to the allotment of shares pursuant to such a right except under the Benfield Employee Share Schemes.

SHARE CAPITAL

4. The authorised share capital of the Company is £1,411,733 divided into 40,000,000 Convertible Preference Shares of one penny each, 99,172,300 Ordinary Shares of one penny each, 2,000,000 Incentive Shares of one penny each and 10 Convertible Shares of £1 each.

Convertible Preference Shares and Convertible Shares may be converted into Ordinary Shares in the manner provided for in these Articles.

The Incentive Shares may be issued by the Company in separate series; the first series shall, if issued on or before 31 December 1998 be designated as Incentive Series 1 Shares; the second series shall, if issued on or after 1 January 1999 but on or before 31 October 1999, be designated as Incentive Series 2 Shares; the third series shall, if

issued on or after 1 November 1999 but on or before 31 October 2000, be designated as Incentive Series 3 Shares and so on during the same periods in ensuing years with the "Series" designation being increased by 1 in numerical order for each year commencing 1 November after 1 November 2000.

Incentive Shares may only be issued to and held by directors or employees of the Company or Employee Trusts.

The rights attaching to the respective classes of shares shall be as follows:-

(A) Income

(a) In respect of each financial year or other accounting period of the Company commencing on or after 1 January 2002 (each a "**Financial Year**"), the Convertible Preference Shares shall confer upon the holders thereof (as a class) the right to receive, in priority to any payment by way of dividend to the holders of any other shares in the capital of the Company (but subject to the payment of all dividends accrued and in arrears on the Convertible Preference Shares in respect of any earlier Financial Year), a fixed cumulative preferential dividend (the "**Fixed Dividend**") on each Convertible Preference Share (without prejudice to Articles 4(A)(c) and 4(D)(1)(A)(b)(vi)) at the rate specified in paragraphs (i) to (v) below (the "**Dividend Rate**");

(i) at the rate of 5 per cent. per annum (exclusive of the imputed tax credit available to the holders thereof) on the amount paid up in respect of the nominal value thereof and any share premium thereon (the "**Issue Price**") in respect of the period from 1 January 2002 down to (and including) 31 December 2002 ("**Year 1**");

(ii) at the rate of 6 per cent. per annum (exclusive of the imputed tax credit available to the holders thereof) on the Issue Price in respect of the period from 1 January 2003 down to (and including) 31 December 2003 ("**Year 2**");

(iii) at the rate of 7 per cent. per annum (exclusive of the imputed tax credit available to the holders thereof) on the Issue Price in respect of the period from 1 January 2004 down to (and including) 31 December 2004 ("**Year 3**");

(iv) at the rate of 8 per cent. per annum (exclusive of the imputed tax credit available to the holders thereof) on the Issue Price in respect of the period from 1 January 2005 down to (and including) 31 December 2005 ("**Year 4**");

(v) at the rate of 9 per cent. per annum (exclusive of the imputed tax credit available to the holders thereof) on the Issue Price in respect of the period from 1 January 2006 down to (and including) 31 December 2006 and each successive period of twelve calendar months thereafter, which successive periods shall each commence on 1 January and end on 31 December.

(b) The Fixed Dividend shall accrue from day to day and, subject to the provisions of these Articles, shall be paid in cash:-

(i) in two instalments on 31 March and on 30 September of each year. The payment to be made on 31 March shall be in respect of the six month period down to and including the preceding 31 December and the payment to be made on 30 September shall be in respect of the six month period down to and including the preceding 30 June and each such period of six months shall be referred to in these Articles as a **"Dividend Period"**;

(ii) on a Conversion Date, in respect of the period from (and including) the first day of the Dividend Period immediately preceding the Dividend Period in which the Conversion Date occurs calculated down to (and including) the Conversion Date, but only to the extent not previously paid by the Company;

(iii) on a Redemption Date (in respect only of Preference Shares redeemed on that date), in respect of the period from (and including) the first day of the Dividend Period immediately preceding the Dividend Period in which the Redemption Date occurs calculated down to (and including) the Redemption Date, but only to the extent not previously paid by the Company.

(c) If the Company fails to pay when due in full on the due date for payment the whole or any part of the Fixed Dividend in respect of any Dividend Period, the Dividend Rate to be applied in respect of all subsequent Dividend Periods (other than any Dividend Period commencing on or after 1 January 2006) shall be increased from the rate specified in Article 4(A)(a) above to 9 per cent. which rate shall continue to apply unless and until all arrears of Fixed Dividend in respect of all completed Dividend Periods shall have been paid to the relevant holders of Convertible Preference Shares. Upon payment by the Company of all such arrears, the Dividend Rate applicable in respect of the remainder of the Dividend Period in which those arrears are paid and all subsequent Dividend Periods shall (without prejudice to the first sentence of this paragraph (c)) be decreased to the applicable Dividend Rate for such period or periods referred to in Article 4(A)(a) above.

(d) The Convertible Preference Shares shall not confer on the holders thereof any further entitlement to any participation in the profits of the Company.

(e) In the event that:-

(i) whether by reason of the Act or any principle of law, the Company is unable to pay on the due date for payment under Article 4(A)(b) (each of which dates is a **"Dividend Date"**) the whole of the Fixed Dividend which would otherwise be required to be paid on that Dividend Date (a **"Relevant Dividend"**, which expression shall also include such further dividend payable in respect thereof and calculated in accordance with the provisions of Article 4(A)(f)); or

(ii) the making of any such payment on the Dividend Date would result in any breach by the Company of any provision, covenant or restriction contained in the Company's loan facility agreement with Barclays Bank plc dated 30 April 2001 (the **"Loan Agreement"**) or any event of default arising thereunder (a **"Breach"**); or

(iii) it is likely that the making of any such payment on the Dividend Date would, with the passage of time, result in a Breach (a "**Potential Breach**"),

then the following provisions shall apply:

(A) on the Dividend Date the Company shall pay to the relevant holders (on account of the Relevant Dividend) the maximum sum (if any) which can then, consistently with the Act and any such principle of law and without causing any Breach or any Potential Breach, properly be paid by the Company. Such sum shall be divided among the relevant holders pro rata to the number of Convertible Preference Shares held by each such holder;

(B) the Company shall pay as much of the balance of the Relevant Dividend (whether in one of more instalments) as soon after the relevant Dividend Date as may then be consistent with the Act and any principle of law and without causing any Breach or any Potential Breach and such payment shall be made in priority to any dividend which shall have accrued on the same class of share in respect of a period subsequent to the relevant Dividend Date; and

(C) every sum which shall become payable by the Company on any date determined in accordance with paragraphs (A) and (B) above shall, on that date, ipso facto and without any resolution of the Board or of the Company in general meeting (and notwithstanding anything contained in regulations 102 to 108 (inclusive) of Table A) become a debt due from and immediately payable by the Company to the relevant holders pro rata according to the number of Convertible Preference Shares held by each such holder.

(f) In the event that any part of the Fixed Dividend is not paid for any reason (including, without limitation, as a result of the operation of Article 4(A)(e)) on the relevant Dividend Date in accordance with Article 4(A)(a) and (b), the amount of the overdue dividend shall be increased by way of a further fixed cumulative preferential dividend at the rate of 9 per cent. per annum (exclusive of the associated tax credit available to the holders thereof) on the amount of the arrears of the Fixed Dividend accruing on a daily basis. References in these Articles to the Fixed Dividend shall, unless otherwise expressly provided, include any further dividend calculated in accordance with this Article 4(A)(f).

(g) After payment in accordance with Articles 4(A)(a) to (f) of all arrears of the Fixed Dividend in respect of each completed Dividend Period then, subject to the provisions of these Articles and to the provisions of regulations 102 to 108 of Table A, the balance of the profits of the Company lawfully available for distribution and resolved to be distributed shall be applied in paying a dividend to the holders of Ordinary Shares. Notwithstanding the provisions of regulation 104 of Table A (which does not apply to the Company), the Board may elect to pay dividends on Ordinary Shares which are partly paid on a basis other than that provided by such regulation provided that the amount of a dividend payable on a partly paid Ordinary Share shall never exceed the maximum amount of such dividend payable on a fully paid Ordinary Share.

(h) No Incentive Share shall carry any right to receive dividends or other distributions from the Company until the Series Third Anniversary of their issue whereupon, provided any call in respect of such Incentive Shares has been paid in full, they shall have the right to receive dividends or other distributions pari passu with the Ordinary Shares of the Company which are declared, made or paid thereafter.

(i) The Convertible Shares shall rank pari passu with the Ordinary Shares in respect of entitlement to receive dividends or other distributions declared, made or paid by the Company from time to time.

(B) Capital

On a return of assets on liquidation or otherwise (save on the redemption of shares of any class or the purchase by the Company of its own shares), the assets of the Company remaining after the payment of its liabilities shall be applied:-

(i) in paying first to the Convertible Preference Shareholders sums equal to the amounts paid up or credited as paid up in respect of the nominal value of the Convertible Preference Shares (and any premium paid thereon) held by them respectively and any arrears and accruals (if any) of Fixed Dividend;

(ii) provided the return of assets occurs prior to the Series Third Anniversary of the issue of the relevant Incentive Shares, in paying second to the holders of such Incentive Shares the amount paid up or credited as paid up on Incentive Shares held by them; and

(iii) the balance of such assets shall thereafter belong to and be distributed amongst the Ordinary Shareholders and Convertible Shareholders and, provided the return of assets occurs on or after the Series Third Anniversary of the issue of the relevant Incentive Shares and any call in respect of such Incentive Shares has been paid in full, Incentive Shares (as if they were one class of shares) in proportion to the amounts paid up or credited as paid up on the Ordinary Shares, Convertible Shares and Incentive Shares respectively held by them.

(C) Conversion Mechanism

(a) not used

(b)(i) Conversion of Convertible Preference Shares or Convertible Shares (as the case may be) due to be converted in accordance with these Articles ("the Relevant Shares") shall be effected in accordance with such one or more of the following sub-paragraphs of this paragraph as the Directors may determine or in such other manner as may be authorised by law:-

(1) The Directors may determine to effect conversion by means of consolidation and sub-division. In such case, the requisite consolidation and sub-division shall be effected pursuant to the authority given by these Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and sub-dividing such consolidated share into:-

(aa) Ordinary Shares of individual nominal amount of 1p each or such other nominal amount of the Ordinary Shares in issue at the conversion date of an aggregate

nominal amount equal to the nominal amount of Ordinary Shares to which the holder is entitled by virtue of the conversion (fractions of Ordinary Shares arising being dealt with as below); and

(bb) one deferred share of a nominal amount equal to the excess of the nominal amount of the consolidated share over the nominal amount of the Ordinary Shares (including any fractions) derived therefrom. Any such deferred share will, save as provided below, not be transferable and will not entitle the holders to the payment of any dividend or to any repayment of capital on a return of assets (except for the sum of 1p payable after the sum of £1,000,000 has been paid in respect of each Ordinary Share) or to receive notice of or attend or vote at any general meeting of the Company, but may be transferred by some person appointed by the Company on behalf of the holder to some other person (whether or not an officer of the Company) willing to accept the same with a view to the redemption or re-purchase thereof by the Company at a price not exceeding 1p for all the deferred shares redeemed or re-purchased at any one time and/or may (subject to the Act) be cancelled by the Company (by way of reduction of its capital) without making any payment to or obtaining any sanction of the holder thereof. The Company may at its option at any time after the creation of any deferred shares redeem all or any of the deferred shares then in issue, at a price not exceeding 1p for all the deferred shares redeemed, at any time upon giving the registered holder of such share or share not less than 28 days' previous notice in writing of its intention so to do, fixing a time or place for its redemption. If and whenever the Company shall determine to redeem pursuant to the foregoing paragraph less than the total of the deferred shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for his deferred share or shares which are to be redeemed in order that such shares may be cancelled.

(2) The Directors may determine to effect conversion by consolidating (which consolidation shall be effected pursuant to the authority given by these Articles) all the Relevant Shares held by any holder or joint holders and sub-dividing (which sub-division shall be effected pursuant to the authority given by these Articles) such share into the appropriate number of Ordinary Shares, in which event such Ordinary Shares notwithstanding that they may have a different par value from the Ordinary Shares then in issue, shall form a uniform class with all such shares and shall on a liquidation or return of capital participate *pari passu* with such other Ordinary Shares for which purpose the par value thereof shall be deemed to be equal to the par value of an Ordinary Share notwithstanding the par value thereof and shall be entitled to the same dividend per share as is payable in respect of the other Ordinary Shares.

(3) The Directors may elect to redeem the Relevant Shares on any conversion date out of profits of the Company which would otherwise be available for dividend or, subject to compliance with the requirements of the Act, out of capital. Such redemption shall be at par or, if redemption at par would produce aggregate redemption monies which would be less than the aggregate nominal amount of the Ordinary Shares to be subscribed as hereinafter mentioned, at such premium as may be necessary to cause such redemption monies to equal the nominal value of the Ordinary Shares which the holders of the Relevant Shares are entitled to subscribe as

hereinafter mentioned. The Relevant Shares confer upon the holders thereof the right, if the Directors determine to redeem the same as aforesaid, to subscribe for the appropriate number of Ordinary Shares at par or at such premium if any, as shall represent the amount by which the redemption monies exceed the aggregate nominal amount of the Ordinary Shares to which they are so entitled and, in any such case, the holder of Relevant Shares shall be deemed irrevocably to authorise and instruct the Directors to apply the redemption monies payable to him in subscribing for such Ordinary Shares at par or at such a premium, if any, as aforesaid.

(4) The Directors may, subject as herein provided and to the Act, determine to redeem the Relevant Shares on any conversion date at par or, if redemption at par would produce redemption monies which would be less than the aggregate nominal amount of the Ordinary Shares to be subscribed as hereinafter mentioned, at such premium, if any, as may be necessary to ensure that such redemption monies equal the aggregate par value of the Ordinary Shares into which the Relevant Shares are required to be converted at the applicable conversion date. Such redemption shall be out of the proceeds of a fresh issue of the number of Ordinary Shares into which the Relevant Shares are required to be converted. Such issue shall be at par or at such premium, if any, as shall represent (i) the excess of the total redemption monies payable in respect of the Relevant Shares over the total nominal amount of such Ordinary Shares less (ii) an amount equal to any applicable stamp duty or stamp duty reserve tax in respect of the renunciation hereinafter mentioned. Such determination by the Directors shall be of no effect unless either, prior to 29 September 1993, the directors shall have entered into an agreement with a person selected by them for the allotment to such person of the appropriate number of Ordinary Shares at such premium as aforesaid if and so often as there are Relevant Shares and the Directors determine to redeem the same in accordance with this sub-paragraph (4) or the Directors shall otherwise be duly authorised to make the aforesaid fresh issue of Ordinary Shares under the provisions of the Act. The person to whom the Ordinary Shares shall be allotted under the provisions of this sub-paragraph shall renounce the allotment thereof in favour of the holders of the Relevant Shares in due proportion against payment to such person by the Directors of the redemption monies in respect of the Relevant Shares. Such person will also pay any applicable stamp duty or stamp duty reserve tax in respect of such renunciation. The holder of Relevant Shares redeemed pursuant to this sub-paragraph shall be deemed to have authorised and instructed the Directors to pay the redemption monies in respect of his Relevant Shares to the subscriber of the Ordinary Shares renounced in his favour.

(b) (ii) Fractions of Ordinary Shares arising on the conversion shall not be allotted but (if any such arrangements can be made) such fractions shall be aggregated and sold at the best price reasonably obtainable and the net proceeds of sale shall be distributed pro rata among the persons entitled thereto in respect of any holding of Relevant Shares. For the purpose of implementing the provisions of this Article, the Directors may appoint some person to execute transfers or renunciations on behalf of persons otherwise entitled to any such fractions and generally may make all arrangements which appear to them necessary or appropriate for the settlement and disposal of fractional entitlements (without regard to Article 13).

(D)(1)(A) Conversion of Convertible Preference Shares

(a) General right to convert

The Convertible Preference Shares in issue for the time being may in the manner set out in this Article 4(D)(1)(A)(a) be converted into fully paid Ordinary Shares, subject to and in accordance with the following provisions:-

(i) Any Convertible Preference Shareholder shall be entitled at any time to serve written notice on the Company (a "**Conversion Notice**") in respect of all but not some of the Convertible Preference Shares registered in his name on the day on which such notice is served on the Company. Any such notice shall be in writing, shall be served on the Company at its registered office marked for the attention of the Company secretary and, subject to Article 4(D)(1)(A)(iv), shall not be withdrawn save with the prior written consent of the Company. In order to be valid, the Conversion Notice shall be signed by a duly authorised representative of the holder and shall be accompanied by the certificate for the Convertible Preference Shares registered in his name;

(ii) Subject to the provisions of this Article 4(D)(1)(A), conversion shall take place on the business day specified in the Conversion Notice (the "**Conversion Date**") provided that the date so specified must be at least twenty clear days after and no more than sixty clear days after the day on which the Conversion Notice is served on the Company;

(iii) If the holder of the Convertible Preference Shares to be converted does not state in its Conversion Notice that it is exercising its rights set out in paragraph (iv) below, the number of Ordinary Shares to which the Convertible Preference Shareholder shall be entitled on conversion shall be calculated in accordance with the formula set out in Article 4(D)(1)(A)(c) below where the Conversion Price for the purposes of that formula is £6.60 and the Convertible Preference Shares specified in the Conversion Notice shall automatically be converted on the Conversion Date; or

(iv) If the holder of the Convertible Preference Shares to be converted states in its Conversion Notice that it is exercising its rights set out in this paragraph (iv), the number of Ordinary Shares to which the Convertible Preference Shareholder shall be entitled on conversion shall be calculated in accordance with the formula set out in Article 4(D)(1)(A)(c) below where the Conversion Price for the purposes of that formula is the Average Fair Market Value calculated in accordance with Article 4(D)(1)(A)(f) PROVIDED THAT (A) if the Average Fair Market Value is less than £5.50, the Conversion Price shall be £5.50 and (B) if the Average Fair Market Value is more than £6.60, the Conversion Price shall be £6.60. If the Average Fair Market Value is £5.50 or more, all of the Convertible Preference Shares specified in the Conversion Notice shall automatically be converted on the Conversion Date at the Conversion Price determined in accordance with this paragraph (iv). If the Average Fair Market Value is less than £5.50, all of the Convertible Preference Shares specified in the Conversion Notice shall automatically be converted on the Conversion Date at a Conversion Price of £5.50 unless, within five days after the Average Fair Market Value shall have been determined and notified to the Convertible Preference Shareholder, the Convertible Preference Shareholder shall deliver a notice in writing to the Company withdrawing its Conversion Notice.

(v) No Conversion Notice may be served on the Company under this Article 4(D)(1)(A)(a) without the Company's prior written consent at any time after Company has served a notice under Article 4(D)(1)(A)(b)(viii) provided the restrictions in this paragraph (v) shall cease to apply upon the earlier of (a) the expiry of 120 days after the date on which the Company served notice under Article 4(D)(1)(a)(b)(viii), (b) the completion of the Liquidity Event or (c) the date on which the Company serves a Withdrawal Notice under Article 4(D)(1)(A)(b)(viii).

(vi) In the event that an IPO has been completed, the Conversion Price which shall apply on any conversion of Convertible Preference Shares under this Article 4(D)(1)(A)(a) shall, notwithstanding any other provision of this Article 4(D)(1)(A)(a), be the price per share at which the Ordinary Shares admitted to listing were offered for sale, tendered or made available for subscription (as the case may be) on the IPO (the "**IPO Price**") provided that, if the IPO Price was less than £5.50, the Conversion Price shall be £5.50 and if the IPO Price was greater than £6.60, the Conversion Price shall be £6.60.

(vii) If, on a Conversion Date, the issued ordinary share capital of the Company has been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange, the Company shall use reasonable endeavours to procure that the Ordinary Shares arising on conversion of the Convertible Preference Share on such Conversion Date under this Article 4(D)(1)(A)(a) are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange as soon as practicable following such Conversion Date.

(b) Conversion on the happening of a Liquidity Event

Convertible Preference Shares in issue for the time being shall at the times and in the manner set out in this Article 4(D)(1)(A)(b) be converted into fully paid Ordinary Shares, subject to and in accordance with the following provisions of this Article 4(D)(1)(A)(b) immediately prior to the happening of a Liquidity Event (a "**Conversion Date**") and the following provisions of this Article 4(D)(1)(A)(b) shall have effect in relation to any such conversion:-

(i) The number of Ordinary Shares to which a Convertible Preference Shareholder shall be entitled on conversion shall be calculated in accordance with the formula set out in Article 4(D)(1)(A)(c) below where the Conversion Price for the purposes of that formula is, subject to the following provisions of this Article 4(D)(1)(A)(b):-

(A) if the relevant Liquidity Event is an IPO (as defined in Article 4(D)(1)(A)(e)), the price per share at which the Ordinary Shares to be admitted to listing are to be offered for sale, tendered or made available for subscription (as the case may be); or

(B) if the relevant Liquidity Event is a Majority Sale (as defined in Article 4(D)(1)(A)(e)), the price per share to be paid for each Ordinary Share in the event of a Majority Sale which shall take into account the value of any dividends declared after the date of adoption of this Article and the amount of any

other consideration (in cash or otherwise) which having regard to the transaction as a whole can reasonably be regarded as an addition to the price so payable.

(ii) If, in the case of a Majority Sale, the Conversion Price is £5.50 or more, all of the Convertible Preference Shares registered in the name of all Convertible Preference Shareholders shall automatically be converted on the Conversion Date at the Conversion Price determined in accordance with Article 4(D)(1)(A)(b)(i)(B) above provided that the Conversion Price shall never be greater than £6.60.

(iii) If, in the case of a Majority Sale, the Conversion Price is less than £5.50, none of the Convertible Preference Shares shall be converted in consequence of the relevant Majority Sale and paragraph (iv) below shall apply.

(iv) In the circumstances referred to in paragraph (iii) above (but only in such circumstances), the Company shall ensure that no Majority Sale takes place unless:

(A) prior to completion of the Majority Sale, a third party or third parties (including, without limitation, any person or persons who is/are to acquire Ordinary Shares in connection with the Majority Sale) (each a "Purchaser") has or have unconditionally offered to purchase all or any of the outstanding Convertible Preference Shares for an amount equal to the aggregate Issue Price of the Convertible Preference Shares to be purchased and all arrears and accruals of the Fixed Dividend payable thereon as at (and including) the date of purchase, and any such purchase(s) shall be effected in accordance with paragraph (x) below (any such offer and purchase to be on terms that provide for payment of the consideration in full on completion and that impose no obligation on the holders of the Convertible Preference Shares (whether by way of warranty, indemnity, covenant, undertaking or otherwise) other than an obligation to procure that the Convertible Preference Shares are sold with full title guarantee and that absolute legal and beneficial ownership of the Convertible Preference Shares is transferred to the offeror); and/or

(B) the Company has, at its option and immediately prior to completion of the Majority Sale, redeemed any and all of the Convertible Preference Shares (if any) which are not the subject of an offer made under paragraph (A) above and any such redemption shall be effected in accordance with the provisions of Article 4(D)(1)(B)(d) to (f) and 4(D)(1)(B)(h) but not, for the avoidance of doubt, Article 4(D)(1)(B)(g), which provisions shall apply on the basis that the date of the Majority Sale shall be deemed to be the Redemption Date for the purposes thereof provided that, on any such redemption, there shall be paid an amount equal to the aggregate Issue Price of the Convertible Preference Shares to be redeemed together with the whole of any outstanding arrears and accruals of the Fixed Dividend calculated down to and including the Redemption Date,

AND as a result of the operation of paragraph (A) or (B) or a combination of paragraphs (A) and (B) all of the Convertible Preference Shares are either purchased or redeemed in accordance with such provisions and the provisions of paragraph (x) below.

(v) In the case of an IPO, the Company will, as soon as reasonably possible after notifying the Convertible Preference Shareholders of the expected date of such IPO in accordance with Article 4(D)(1)(b)(viii) below, notify the Convertible Preference Shareholders of the expected Conversion Price. Each Convertible Preference Shareholder shall be entitled prior to the IPO to serve a Conversion Notice in respect of all but not some his Convertible Preference Shares electing that such Convertible Preference Shares shall be converted into Ordinary Shares immediately prior to the IPO. In the absence of any such notice from a Convertible Preference Shareholder, none of the Convertible Preference Shares registered in his name shall be converted in consequence of the relevant IPO.

(vi) If, in the case of an IPO, the Conversion Price determined in accordance with Article 4(D)(1)(A)(b)(i)(A) above, is less than £5.50, none of the Convertible Preference Shares shall be converted in consequence of the relevant IPO and the following provisions shall apply:-

(A) the Company shall endeavour to procure that any person or persons (each a "**Purchaser**") shall, prior to the date of the IPO, unconditionally offer to purchase all or any of the outstanding Convertible Preference Shares for an amount equal to the aggregate Issue Price of the Convertible Preference Shares to be purchased and all arrears and accruals of the Fixed Dividend payable thereon as at (and including) the date of purchase, and any such purchase shall be effected in accordance with paragraph (x) below (such offer and purchase to be on terms that provide for payment of the consideration in full on completion and that impose no obligation on the holders of the Convertible Preference Shares (whether by way of warranty, indemnity, covenant, undertaking or otherwise) other than an obligation to procure that the Convertible Preference Shares are sold with full title guarantee and that absolute legal and beneficial ownership of the Convertible Preference Shares is transferred to the offeror); and/or

(B) the Company may, at its option, immediately prior to the IPO, redeem any Convertible Preference Share (if any) in respect of which no offer has been made under paragraph (A) above, and any such redemption shall be effected in accordance with the provisions of Article 4(D)(1)(B)(d) to (f) and 4(D)(1)(B)(h) but not, for the avoidance of doubt, Article 4(D)(1)(B)(g), which provisions shall apply on the basis that the date of the IPO shall be deemed to be the Redemption Date for the purposes thereof; provided that, on any such redemption there shall be paid an amount equal to the aggregate Issue Price of the Convertible Preference Shares to be redeemed together with the whole of any outstanding arrears and accruals of the Fixed Dividend calculated down to and including the Redemption Date,

PROVIDED THAT if and to the extent that any Convertible Preference Shares are not purchased or redeemed in accordance with paragraphs (A) and (B) above, the rate of the Fixed Dividend referred to in Article 4(A)(a) above shall be increased to 10 per cent. per annum and such rate shall apply from and with effect from the date of the IPO.

(vii) If, in the case of an IPO, the Conversion Price is £5.50 or more all of the Convertible Preference Shares registered in the name of any Convertible

Preference Shareholder who has served a Conversion Notice in accordance with paragraph (v) above shall be converted at the Conversion Price determined in accordance with Article 4(D)(1)(A)(b)(i)(A) above, provided that the Conversion Price shall never be greater than £6.60.

(viii) The Company shall give the holders of the Convertible Preference Shares prior notice in writing of an impending Liquidity Event which in the case of an IPO shall not be less than 28 days and not more than 60 days before the expected date of the IPO and in the case of a Majority Sale shall be given as soon as reasonably practicable after the Directors have resolved that they are satisfied that a bona fide offer has been made on terms which are likely to be acceptable to the holders of Ordinary Shares and which has a real prospect of resulting in a Majority Sale. If at any time the Directors reasonably believe that there is no reasonable prospect that the relevant Liquidity Event shall be completed, the Company shall serve written notice (a **"Withdrawal Notice"**) on the Convertible Preference Shareholders to that effect.

(ix) If, in the case of an IPO, the Conversion Price is greater than £5.50 then in respect of any Convertible Preference Shares which are not converted into Ordinary Shares immediately prior to the IPO:

(A) if the IPO occurs before 31 December 2002, the Dividend Rate to be applied in respect of all Dividend Periods commencing on or after 1 January 2003 shall, without prejudice to Article 4(A)(c) and Article 4(D)(1)(A)(b)(vi), never be greater than 5 per cent. per annum;

(B) if the IPO occurs at any time on or after 1 January 2003, the Dividend Rate to be applied in respect of all Dividend Periods commencing on or after 1 January 2003 shall, without prejudice to Articles 4(A)(c) and Article 4(D)(1)(A)(b)(vi), never be greater than 6 per cent. per annum.

(x) Completion of any purchase of Convertible Preference Shares pursuant to an offer for Convertible Preference Shares made in accordance with paragraph (iv)(A) or (vi)(A) above (**"Completion"**) shall take place at the registered office of the Company before or contemporaneously with completion of the Majority Sale or the IPO (as the case may be). The Company shall notify the Convertible Preference Shareholder concerned of the day on which Completion is to take place (the **"Completion Date"**). Completion shall, unless otherwise specified by the Company in a notice delivered to each Convertible Preference Shareholder concerned, take place at 12 noon. At Completion, each Convertible Preference Shareholder concerned shall be bound, on payment by the purchaser of the purchase price calculated in accordance with these Articles, together with such reasonable costs (if any) as such Convertible Preference Shareholder has incurred in connection with such purchase to transfer the Convertible Preference Shares to be purchased to the Purchaser. If any Convertible Preference Shareholder concerned makes default in so transferring his Convertible Preference Shares to be purchased:-

(A) the chairman for the time being of the Company or, failing him, one of the Directors, or some other person duly nominated by a resolution of the Board for that purpose, shall forthwith be deemed to be the duly appointed

attorney of the Convertible Preference Shareholder concerned with full power to execute, complete and deliver in the name and on behalf of the Convertible Preference Shareholder concerned all documents necessary to give effect to the transfer of the relevant Convertible Preference Shares to the Purchaser;

(B) the Board and/or any Director may receive and give a good discharge for the purchase money on behalf of the Convertible Preference Shareholder concerned and (subject to the transfer being duly stamped) enter the name of the Purchaser in the register of members as the holder or holders by transfer of the shares so purchased by him or them; and

(C) the Board shall forthwith pay the purchase money into a separate bank account in the Company's name and shall hold such money on trust (but without interest) for the departing Convertible Preference Shareholder(s) until he shall deliver up his certificate or certificates for the relevant shares (or an indemnity, in a form reasonably satisfactory to the Board, in respect of any lost certificate) to the Company when he shall thereupon be paid the purchase money.

The appointment referred to in this paragraph (x) shall be irrevocable and is given by way of security for the performance of the obligations of the relevant holder of shares in the Company under these articles.

(c) The formula referred to in Articles 4(D)(1)(A)(a)(iv) and (b)(i) is as follows:-

$$\text{"X"} = \frac{\text{Aggregate Issue Price}}{\text{Conversion Price}}$$

where:

"X" is the total number of Ordinary Shares to which the relevant Convertible Preference Shareholder is entitled upon the conversion;

the "**Aggregate Issue Price**" is the aggregate of the Issue Price in respect of the relevant Convertible Preference Shareholder's holding of Convertible Preference Shares to be converted; and

the "**Conversion Price**" is determined in accordance with the relevant provision of this Article.

(d) On any conversion of Convertible Preference Shares, the number of Ordinary Shares to which the relevant Convertible Preference Shareholder shall be entitled shall be certified in writing by the auditors of the Company for the time being whose opinion shall (in the absence of manifest error) be final and binding;

(e) For the purposes of this Article 4(D)(1)(A), a "**Liquidity Event**" shall mean:-

(i) the admission of more than ten per cent. of the equity share capital of the Company to trading on any recognised investment exchange as defined

by the Financial Services and Markets Act 2000 and such admission becoming effective (an "IPO"); or

(ii) any person acquiring or agreeing to acquire or being granted the right to acquire, whether by acquisition of existing shares in the company or subscription for new shares in the Company and whether by a series of transactions over a period of time or otherwise, and whether conditionally or unconditionally, equity shares in the Company which (when taken together with any equity shares held or acquired or agreed to be acquired by, or in respect of which rights to acquire have been granted to, persons acting in concert with that person) carry more than fifty per cent. of the aggregate voting rights normally exercisable at general meetings of the Company (a "**Majority Sale**"),

which in either case occurs prior to the date on which all of the Convertible Preference Shares have been redeemed by the Company or converted in accordance with these Articles.

(f) For the purposes of this Article 4(D)(1)(A)(f), "**Fair Market Value**" shall mean the price at which each Ordinary Share could reasonably be expected to trade were such share admitted to trading on the London Stock Exchange on a fully distributed basis but without any liquidity or minority discount or control premium and disregarding any restrictions on transfer contained in these Articles, as at the date on which the relevant Conversion Notice was served on the Company which price shall be calculated subject to and in accordance with the following provisions:-

(i) The Convertible Preference Shareholder concerned shall, in its Conversion Notice, nominate the London offices of four internationally recognised investment banks which in its reasonable opinion would be able to calculate the Fair Market Value as at the date on which the relevant Conversion Notice was served on the Company;

(ii) The Company shall select two of the four nominated investment banks nominated by the Convertible Preference Shareholder and shall, within five days after receiving the relevant Conversion Notice, instruct those investment banks on the same terms to calculate the Fair Market Value as at the date on which the relevant Conversion Notice was served on the Company;

(iii) The investment banks instructed by the Company shall act as experts and not as arbitrators and their decision shall be conclusive and binding on the Company and upon all of its shareholders for the purposes of these Articles. Each investment bank shall provide a single price which, in its opinion, represents the Fair Market Value and shall be entitled to use such valuation methods and may rely on such assumptions with regard to the Company, its business and otherwise as it shall in its professional opinion consider appropriate in the circumstances. The Company and the relevant Convertible Preference Shareholder shall each promptly provide each of the investment banks selected by the Company such information as it may require in connection with preparing its valuation;

(iv) The investment banks shall be instructed to deliver their calculations to the Company and the relevant Convertible Preference Shareholder no later than ten days before the Conversion Date (the "**Delivery Date**") PROVIDED THAT if for any reason beyond the control of the Company, the relevant Convertible Preference Shareholder or the investment banks, either of the investment banks fails to deliver its valuation to the Company and the relevant Convertible Preference Shareholder, the Conversion Date shall be deferred to the day which falls ten days after both investment banks have delivered their valuations as aforesaid.

(v) The "**Average Fair Market Value**" for the purposes of Article 4(D)(1)(A)(a)(iv) shall be the average of the Fair Market Values calculated by each of the investment banks in accordance with the foregoing provisions of this Article;

(vi) The costs of the investment banks shall be borne by the holder of the Convertible Preference Shares in respect of which a Conversion Notice has been served.

(g) Ordinary Shares arising on conversion of Convertible Preference Shares shall rank *pari passu* with the Ordinary Shares then in issue in the capital of the Company, and will carry the right to receive all dividends declared, made or paid on the ordinary share capital of the Company by reference to a record date after the Conversion Date provided always that, where any such dividend is payable in respect of a period which commenced prior to the Conversion Date (a "**Relevant Period**") the Ordinary Shares arising on conversion of Convertible Preference Shares will carry the right to receive only such proportion of such dividend as equals the total amount of such dividend multiplied by a fraction of which the numerator is the number of days from (and including) the Conversion Date to (and including) the end of the Relevant Period and the denominator is the total number of days comprised within the Relevant Period. Ordinary Shares arising on conversion of Convertible Preference Shares will not carry the right to receive any dividend declared, made or paid on the ordinary share capital of the Company by reference to a record date prior to the Conversion Date.

(h) In relation to such any conversion of Convertible Preference Shares, the provisions of Article 4(C)(b)(i) and (ii) shall apply *mutatis mutandis*.

(i) Within 14 days after the Conversion Date, the Company shall send to each of the members who hold Ordinary Shares as a result of the conversion, by post at his own risk, free of charge, a definitive certificate for the appropriate number of fully paid Ordinary Shares and in the meantime transfers shall be certified against the register.

(j) To the extent that the Company is unable whether by reason of the Act or any principle of law to pay any outstanding arrears and accruals of the Fixed Dividend on the Conversion Date or where the making or any such payment on such date would cause any Breach or any Potential Breach, all Convertible Preference Shares falling to be converted shall nevertheless be converted, provided that any such conversion of Convertible Preference Shares shall be without prejudice to the right of the relevant holders immediately before conversion to any unpaid arrears or accruals of the Fixed Dividend outstanding as at the Conversion Date (the "**Arrears**") together

with interest thereon which shall accrue from day to day on the unpaid amount thereof at the rate of 9 per cent. per annum which sum shall, unless waived by the former Convertible Preference Shareholder concerned, be paid to such former holders (in proportion to the amount of Arrears due to them) as soon after the conversion as may then be consistent with the Act and any principle of law and without causing any Breach or any Potential Breach and in priority to any payment by way of dividend to the holders of any class of share in the Company.

(k) If, whilst any Convertible Preference Share remains capable of being converted into Ordinary Shares, the Ordinary Shares shall be consolidated or subdivided, then the number of Ordinary Shares to be issued on any subsequent conversion of the Convertible Preference Shares shall be reduced or increased accordingly and if any doubt shall arise as to the number thereof, the certificate of the Auditors shall be conclusive and binding on all concerned. Notice of any such subdivision or consolidation shall be sent to each Convertible Preference Shareholder within 28 days of the same becoming effective.

(l) If, whilst any Convertible Preference Share remains capable of being converted into Ordinary Shares, the Company shall make any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve) to holders of Ordinary Shares, then the number of Ordinary Shares to be issued on any subsequent conversion of Convertible Preference Shares shall be increased pro rata and if any doubt shall arise as to the amount of the increase in the nominal amount of Ordinary Shares, the certificate of the Auditors shall be conclusive and binding on all concerned. Notice of any such capitalisation issue shall be sent to each Convertible Preference Shareholder within 28 days of the same becoming effective. No adjustments shall be made in the event of the issue of shares by way of capitalisation of profits or reserves in lieu of cash dividends.

(D)(1)(B) Redemption of Convertible Preference Shares

(a) Subject to the following provisions of this Article 4(D)(1)(B), each Convertible Preference Share for the time being outstanding and fully paid up shall be redeemed by the Company on the seventh anniversary of the date on which that share was first issued or if on that day the banks in the City of London are not open for the transaction of normal banking business, the next following day on which such banks are so open (the "**Redemption Date**").

(b) If, by reason of the provisions of the Act or any principle of law, the Company is unable to redeem in full on the Redemption Date the Convertible Preference Shares falling for redemption on that Redemption Date, the Company shall, on that Redemption Date, redeem as many of the Convertible Preference Shares as can, consistently with the Act and any principle of law properly be redeemed and shall redeem the balance as soon thereafter as the may be redeemed in accordance with this Article.

(c) The Convertible Preference Shares to be redeemed in accordance with this Article shall be selected as nearly as may be to ensure that the number of Convertible Preference Shares of each relevant holder is reduced by such redemption in the same proportion.

(d) Upon such Redemption Date, each of the holders of the shares to be redeemed shall be bound to deliver to the Company at the registered office of the Company the certificate for the shares to be redeemed which are held by him in order that the same may be cancelled, or shall deliver an indemnity (in a form reasonably satisfactory to the Board) in respect of any lost certificate.

(e) Upon such delivery, the Company shall pay to each relevant holder (or, in the case of joint holders of any shares to be redeemed, to the holder whose name stands first in the register of members of the Company) the amount due to him in respect of such redemption (as set out in Article 4(D)(1)(B)(g)) against the delivery of a proper receipt for the redemption monies payable in respect thereof.

(f) If any certificate so delivered to the Company includes any Convertible Preference Shares not falling to be redeemed on that Redemption Date, a fresh certificate for such Convertible Preference Shares shall be issued to the relevant holder (or, as the case may be, holders) as soon as practicable after such certificate has been delivered to the Company and, in any event, within 14 days after such delivery.

(g) Notwithstanding any other provision contained in these Articles, there shall be paid on the redemption of each Convertible Preference Share in accordance with this Article 4(D)(1)(B) an amount equal to the Issue Price thereof, together with a sum equal to the whole or such part of any outstanding arrears and accruals of the Fixed Dividend in respect of that share calculated down to and including the Redemption Date as the Company is able to pay (if any) in accordance with the Act and any principle of law and without causing any Breach or any Potential Breach. To the extent that any Convertible Preference Share is redeemed under this Article 4(D)(1)(B) without payment of all arrears and accruals of Fixed Dividend thereon, such share shall (provided that an amount equal to its Issue Price is paid on redemption) nevertheless be redeemed, provided that any such redemption of a Convertible Preference Share shall be without prejudice to the right of the relevant holder immediately before redemption to any unpaid arrears and accruals of the Fixed Dividend outstanding as at the Redemption Date (the "**Arrears**") together with interest thereon which shall accrue from day to day on the unpaid amount thereof at the rate of 9 per cent. per annum which sum shall, unless waived by the former Convertible Preference Shareholder concerned, be paid to such former holders (in proportion to the amount of the Arrears due to them) as soon after the redemption as may then be consistent with the Act and any principle of law and without causing any Breach or any Potential Breach and in priority to any payment by way of dividend to the holders of any class of share in the Company.

(h) As from the Redemption Date, the Fixed Dividend (in respect only of any Convertible Preference Shares falling to be redeemed on such date) shall cease to accrue, except on or in relation to any Convertible Preference Share in respect of which, on presentation of the certificate relating thereto or an indemnity (in a form reasonably satisfactory to the Board) in respect of a lost certificate, payment of the monies due on redemption in accordance with Article 4(D)(1)(B)(g) is refused or otherwise is not made.

(i) If any Convertible Preference Share is not redeemed in accordance with this Article on the seventh anniversary of the date on which they were first issued or, if on that day the banks in the City of London are not open for the transaction of normal banking business, on the next following day, the holder of such Convertible Preference Share shall be entitled until all of his Convertible Preference Shares have been redeemed in accordance with this Article:

(i) at any general meeting of the Company (whether on a show of hands or on a poll) to the maximum number of votes as he would be entitled to exercise at that meeting had the relevant Convertible Preference Shares which have not been so redeemed at that time been converted into Ordinary Shares immediately prior to that meeting on the assumption that the Conversion Price were £5.50, subject to adjustment in accordance with Article 4(D)(1)(a)(k); and

(ii) to sell or otherwise transfer, without any restriction as to price or otherwise, any outstanding Convertible Preference Shares to any third party approved by the Directors, PROVIDED THAT the Directors may only withhold such approval if the proposed transferee is, in the reasonable opinion of the Directors, a direct competitor of any member of the Group AND PROVIDED FURTHER THAT no such transfer shall be made or registered if such transfer would or may give rise to any breach of or non-compliance with any applicable laws or regulations in any jurisdiction including, without limitation, the Lloyd's Act 1982.

(D)(2) Conversion of Convertible Shares

(a) All Convertible Shares in issue for the time being shall at the times and in the manner set out in this Article 4(D)(2) be converted automatically into fully paid Ordinary Shares immediately prior to the happening of a Relevant Event ("**Conversion Date**") in accordance with the following formula :

$$\text{"X"} = \frac{(\text{FV} - 10,000,000)}{\text{EP}}$$

where :

"X" is the total number of Ordinary Shares created upon the conversion, and so that each Convertible Shareholder shall upon any conversion receive his pro-rata share of the total number of Ordinary Shares so created;

"FV" is 2,438,290 plus 3.5% of the total number of Ordinary Shares issued after the date of adoption of this Article at a price per share (including any premium) which is in the opinion of the auditors of the Company for the time being (whose opinion shall in the absence of manifest error, be final and binding) less than fair market value multiplied by "EP";

"EP" is the price per share at which the Ordinary Shares to be admitted to listing are to be offered for sale, tendered or made available for subscription (as the case may be) or the price per share to be paid for (or in the case of a Disposal falling within paragraph (bb) of the definition of "Disposal" the implicit value of) Ordinary Shares in the event of a Disposal which shall take

into account the value of any dividends declared after the date of adoption of this Article and the amount of any other consideration (in cash or otherwise) which having regard to the transaction as a whole can reasonably be regarded as an addition to the price so payable,

and the number of Ordinary Shares arising on the conversion shall be certified in writing by the auditors of the Company for the time being whose opinion shall (in the absence of manifest error) be final and binding;

(b) Ordinary Shares arising on conversion of Convertible Shares shall rank *pari passu* with the Ordinary Shares then in issue in the capital of the Company;

(c) In relation to such conversion, the provisions of Article 4(C)(b)(i) and (ii) shall apply *mutatis mutandis*;

(d) The Ordinary Shares resulting from the conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company by reference to a record date falling on or after the Conversion Date in respect of the financial year or accounting period of the Company in which the Conversion Date falls provided that such dividend or distribution had not already been paid on the Convertible Shares prior to their conversion;

(e) Within 14 days after the Conversion Date, the Company shall send to each of the members who hold Ordinary Shares as a result of the conversion, by post at his own risk, free of charge, a definitive certificate for the appropriate number of fully paid Ordinary Shares and in the meantime transfers shall be certified against the register;

(f) The Company shall ensure that no listing or Disposal takes place unless the Ordinary Shares resulting from conversion of the Convertible Shares are admitted to listing or sold as the case may be;

(g) The Company shall give not less than 30 days prior written notice to the Convertible Shareholders of any Relevant Event, together with such relevant information pertaining thereto as the Convertible Shareholders may reasonably request provided that, if so requested by the Company, the Convertible Shareholders undertake to keep confidential all matters so notified.

(D)(3) Repurchase of Convertible Shares

(a) On 30 September 2002 ("**the Purchase Date**"), all Convertible Shares which have not been converted or fallen due to be converted pursuant to Article 4(D)(2) will, subject to the prior approval of a special resolution, be repurchased by the Company at a price of £1 per Convertible Share.

(b) The purchase of Convertible Shares shall be subject to these Articles and to the requirements of the Act.

(c) On the Purchase Date each holder whose Convertible Shares are to be repurchased shall deliver to the Company the certificate (or certificates) for those shares. On receipt, the Company shall pay to the holder the purchase price in cash.

(E) Voting Rights

(a) Subject as hereinafter provided, at a general meeting on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a shareholder, shall have one vote, and on a poll every shareholder who is present in person or by proxy or (being a corporation) is present by a representative shall (except as hereinafter provided) have one vote for every share in the capital of the Company of which he is the holder; provided that the holders of Incentive Shares shall be entitled to receive notice of and to attend all general meetings but shall not be entitled to vote at any general meeting. Ordinary Shares held by persons who are deemed to have served a transfer notice by reason of Article 13(e) to (g) or Article 11 will not be entitled to vote so long as (but only so long as) they remain so held.

(b) The Convertible Preference Shareholders shall be entitled to receive notice of and to attend all general meetings but, subject to Article 4(D)(1)(B)(i), shall not be entitled to vote at any general meeting and (subject always to any vote affecting class rights and the provisions of Article 4(D)(1)(B)(i)) no voting rights shall attach to the Convertible Preference Shares.

(c) The Convertible Shareholders shall be entitled to receive notice of and to attend all general meetings but shall not be entitled to vote at any general meeting and (subject always to any vote affecting class rights) no voting rights shall attach to the Convertible Shares.

CLASS RIGHTS

5. (a) Subject to the provisions of this Article, whenever the capital of the Company is divided into different classes of share the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up only with the consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

(b) All the provisions of these Articles relating to general meetings of the Company shall, mutatis mutandis, apply to every separate meeting of the holders of the shares of any class, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum), and that the holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively.

(c) Without prejudice to the generality of this Article, the rights attaching to the Convertible Shares shall be deemed to be varied by any alteration to the provisions of Article 4(D)(2) or Article 4(D)(3) and the rights attaching to the

Convertible Preference Shares shall be deemed varied by any alteration to the provisions of Article 4(A)(a) to (g), Article 4(B)(i), Article 4(D)(1)(A), Article 4(D)(1)(B) or Article 4(E)(b).

ISSUES OF NEW ORDINARY SHARE CAPITAL AND INCENTIVE SHARES

6. (a) Notwithstanding any other provisions of these Articles, but subject to Article 6(b) and (c) below, any Ordinary Shares of the Company from time to time proposed to be allotted shall before allotment be offered for subscription to the existing holders of the Ordinary Shares and the Convertible Preference Shareholders in proportion (as nearly as may be without involving fractions) to their existing holdings of Ordinary Shares (in the case of the existing holders of Ordinary Shares) and to the number of Ordinary Shares which the Convertible Preference Shareholders would hold (ignoring fractions) on the assumption that all the Convertible Preference Shares had been converted into new Ordinary Shares immediately prior to the allotment in accordance with Article 6(e) (in the case of the Convertible Preference Shareholders). Any such offer ("the first offer") shall specify that it may be accepted within a period of 21 days ("the first offer period") and in default of such acceptance will lapse. Any shares so offered remaining unaccepted at the expiry of the first offer period shall forthwith thereafter be offered for subscription to those holders who have accepted the first offer in full, for acceptance by them within 14 days ("the second offer period") on terms that in the case of competition the shares so offered shall be allotted to the applicants (as nearly as may be without involving fractions or increasing the number allotted to any applicant beyond that applied for by him) in proportion to their existing holdings of ordinary share capital. The Directors shall be entitled to allot any shares remaining unaccepted at the expiry of the second offer period to such persons as they may select ("the offerees") provided that no such allotment shall be made to the offerees on terms more favourable than those originally offered to the existing holders of the Ordinary Shares and the Convertible Preference Shares and provided further that the Directors shall not be entitled to make any such allotment at any date later than the date two months after the expiry of the said offer period.

(b) Ordinary Shares proposed to be allotted to the following persons shall not be subject to the provisions of Article 6(a) above:-

(i) the trustees of the Benfield Employee Benefit Trust in their respective capacities as trustees of that trust;

(ii) the beneficiaries of the Benfield Employee Benefit Trust if the Ordinary Shares are to be allotted to them pursuant to the Benfield Employee Share Schemes; and

(iii) employees or prospective employees of the Company or of any other company in the Group.

(c) The provisions of Article 6(a) above shall not apply to any case:-

(i) in respect of which they are disapplied by an ordinary resolution of the Company or a written resolution of the holders of a majority of the issued Ordinary Shares;

(ii) in respect of the conversion of the Convertible Preference Shares pursuant to Article 4(D)(1)(A) or of the conversion of the Convertible Shares pursuant to Article 4(D).

(d) Incentive Shares may be allotted to employees or directors of the Company or Employee Trusts as the Board shall determine.

(e) The total number of Ordinary Shares which each Convertible Preference Shareholder would be assumed to hold for the purposes of Article 6(a) shall be calculated in accordance with the following formula:-

$$\text{"X"} = \frac{\text{Aggregate Issue Sum}}{\text{Allotment Price}}$$

where :

"X" is the total number of Ordinary Shares to which the relevant Convertible Preference Shareholder would be assumed to hold upon conversion;

the "Aggregate Issue Sum" is the aggregate of the Issue Price in respect of the Convertible Preference Shares held by the relevant Convertible Preference Shareholder and assumed to be converted for the purposes of Article 6(a); and

the "Allotment Price" is the price per share at which Ordinary Shares are to be offered to existing Ordinary Shareholders and Convertible Preference Shareholders under Article 6(a) (the "Actual Offer Price"), provided that, if the Actual Offer Price is less than £5.50, the Allotment Price shall be £5.50 and, if the Actual Offer Price is greater than £6.60, the Allotment Price shall be £6.60.

REDEMPTION AND PURCHASE OF OWN SHARES

7. Subject to the provisions of Part V of the Act and subject to any rights attaching to any class of share of the Company, the Company may:-

(i) issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders concerned; or

(ii) purchase its own shares (including any redeemable shares).

CALLS

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

LIEN

9. Subject always to the provisions of the Act, the lien conferred by regulation 8 of Table A shall extend to fully paid shares, and to all shares 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 several joint holders.

TRANSFER AND TRANSMISSION OF SHARES

10. Any transfer of shares by the trustees of the Benfield Employee Benefit Trust to beneficiaries of that trust shall not be subject to the restrictions on transfer contained in Article 12(b).

11. (a) Notwithstanding any other provisions of these articles, a transfer of any shares in the Company (other than Convertible Preference Shares) may be made without restriction as to price or otherwise -

- (i) by a corporate member, to any other member of the relevant group;
- (ii) by a member other than a corporate member -
 - (1) to a Bridge Company; or
 - (2) solely for the purpose of enabling such member to hold indirectly an interest in shares of the Company whilst complying in all respects with the rules and regulations of any statute, statutory investment, or rule regulating the conduct of insurance business in any insurance market including investment in companies which conduct such business, to a person which is a Stock Borrower; and
- (iii) from a Bridge Company or Stock Borrower to the original transferor unless such shares are already subject to a deemed transfer notice under article 13(f)(i) in which event article 13(f)(i) shall take precedence -

provided always that (A) no such transfer shall be approved for registration by the Directors if its registration would bring about any breach of or non-compliance with any of the provisions of sections 10, 11 and 12 of the Lloyd's Act 1982 and any byelaws or regulations promulgated thereunder on the part of the Company or any of its related companies as defined by that Act and (B) no transfer of any such shares may be made by any member to a Bridge Company, or to a Stock Borrower, without the prior written approval of the Directors.

(b) Where shares have been transferred as permitted under this article 11 (whether directly or by a series of transfers) and subsequently the company or body corporate holding such shares ceases (in the case of a transferor which was a corporate member) to be a member of the relevant group or (in the case of a transferor who was a member other than a corporate member) to be a Bridge Company, or, in the case of a Stock Borrower, it becomes apparent within the meaning of section 263B of the Taxation of Chargeable Gains Act 1992 that the requirement for the Stock Borrower to make a transfer back to the lender will not be complied with, then the company or body corporate or other person holding such shares shall be bound to transfer the beneficial and registered ownership of any shares in the Company which it owns to another company or body corporate which remains a member of the relevant group or (as the case may be) to the original transferor in which event any such transfer of shares in the Company may be made without restriction unless the original transferor

is deemed to have served a transfer notice pursuant to article 13(f)(i) in which event article 13(f)(i) shall take precedence.

(c) If any member should fail, within 30 days of becoming bound so to do, to comply with the provisions of article 11(b), the member concerned shall, unless the Directors otherwise agree in writing, be deemed to have served a transfer notice in respect of all shares in the Company then held by such member.

(d) With the prior written approval of the Directors (which approval may be given or withheld at the absolute discretion of the Directors), any corporate member may sell or otherwise transfer the legal and beneficial ownership of any of its Ordinary Shares to any other existing corporate member provided that :

(a) no Ordinary Share may be transferred under this Article 11(d) which is not a fully paid Ordinary Share or if it is an Ordinary Share on which the company has lien;

(b) no such transfer or transfers shall be made under this Article 11(d) or registered if, as a result of such transfer or transfers, any corporate member would hold, or any corporate members which are members of the same Corporate Group would together hold, equity shares in the Company which carry more than fifteen per cent. of the aggregate voting rights normally exercisable at general meetings of the Company.

For the purposes of this Article 11(d) "**Corporate Group**" means, in relation to any corporate member, (i) that corporate member, (ii) any subsidiary or holding company of such corporate member and (iii) any subsidiary of any holding company of such corporate member.

12. (a) The Directors in their absolute discretion and without assigning any reason therefor may decline to register any transfer of any shares of whatever class which are not fully paid up or on which the Company has a lien. The Directors in their absolute discretion and without assigning any reason therefor may decline to register any transfer of Convertible Shares which does not fall within Article 11(a). They may also refuse to register a transfer unless:-

(i) it is lodged at the office or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

(ii) it is in respect of only one class of shares; and

(iii) it is in favour of not more than four transferees.

(b) Subject to the provisions of Article 11, the Directors (in their absolute discretion and without assigning any reason therefor) may decline to register any transfer of a share (whether fully paid or not) which is not an Ordinary Share.

(c) No holder of Incentive Shares shall sell, transfer, assign, charge, pledge, alienate, or otherwise dispose of any Incentive Shares or any beneficial interest in those shares prior to their Series Third Anniversary or, in the case of an

Incentive Share which is not a fully paid Incentive Share, until the same has been paid up in full (whichever is later), other than to the extent (if at all) required by these Articles. Thereafter, fully paid Incentive Shares shall be transferable as provided in these Articles.

(d) Subject to Article 4(D)(1)(B)(i), no Convertible Preference Shareholder shall be entitled to sell, transfer, assign, charge, pledge, alienate or otherwise dispose of any Convertible Preference Share or any beneficial interest therein without the prior consent of the Directors.

13. (a) Except as otherwise specifically provided in these Articles and subject to article 12(c) above, no member shall be entitled to transfer or dispose of any Ordinary Shares or Incentive Shares in the Company or any interest in such Ordinary Shares or Incentive Shares, whether by way of sale or otherwise, without the relevant Ordinary Shares or Incentive Shares first being offered round in the appropriate manner provided for in the remainder of this Article.

(b) The offer round procedure shall not apply to the following transfers **("Permitted Transfers")**:-

(i) in any case where and insofar as members for the time being holding ninety-five per cent. of the equity share capital of the Company then in issue have so consented in writing; or

(ii) in relation to any transfer (so permitted by the Board in its absolute discretion) by the Benfield Employee Benefit Trust, between Employee Trusts or by an Employee Trust to a beneficiary of such trust; or

(iii) in relation to any transfer by a Greig Fester Trustee to a Greig Fester Beneficiary; or

(iv) in relation to any transfer permitted by Article 11; or

(v) in relation to any transfer by any Director of in aggregate up to 20 per cent. of the Ordinary Shares held by him on 26 May 1994 to a bona fide long term employee or prospective employee of the Company or any of its subsidiaries; or

(vi) in relation to any transfer of shares from a body corporate which held such shares as a nominee to another body corporate which will hold such shares as a nominee where the directors are first satisfied by the transferor and the transferee that the underlying beneficial ownership of such shares will not change as a result of such transfer (and for the avoidance of doubt, the directors may request such information from the transferor or the transferee as they shall, in their absolute discretion, think fit in order to enable themselves to be so satisfied and may refuse to register any such transfer without giving any reasons for such refusal); or

(vii) in relation to any transfer (so permitted by the Board in its absolute discretion) by a Greig Fester Trustee to the trustees of any pension scheme or schemes (if any) established or to be established for the benefit of one or more employees who are employees of Greig Fester Group Limited or any of its subsidiaries as at the date on which the Offer is made.

(c) Any member intending to transfer or dispose of some or all of his Ordinary Shares or Incentive Shares (or any interest therein) shall give notice in writing (in this Article called a "**transfer notice**") to the Company that he wishes to transfer or dispose of such Ordinary Shares or Incentive Shares. A transfer notice shall be in a form approved by, and contain the information required by the Directors. The transfer notice shall constitute the Company his agent to offer for sale the shares in question in accordance with the succeeding provisions of this Article, and, if a sale is concluded, to implement that sale in accordance with its terms. A transfer notice, once received by the Company, shall be irrevocable save with the sanction of the Directors.

(d) To be valid in respect of any Transfer Period, a transfer notice must be given to the Company so as to be received not later than 14 days preceding the beginning of that Transfer Period, subject to paragraph (h) below and the Directors' discretion to accept late submission of a transfer notice at their sole discretion, if they see fit to do so.

(e) If any person becomes entitled to an Ordinary Share in consequence of the death, bankruptcy or liquidation of any member, that person will, *mutatis mutandis*, be deemed thereupon to have served a transfer notice in respect of all those shares as shall any Associate of that member in respect of Ordinary Shares held by that Associate (otherwise than by virtue of such Associate's own employment by any Group company).

13(f)(i) Subject to the proviso below if any director or employee of the Company or any company under its control (within the meaning of section 840 ("Section 840") of the Income and Corporation Taxes Act 1988) who is a member or who has Associates who are members shall for any reason whatsoever (including death) cease or have ceased at any time to be such a director or employee (or, in the case of a director who is also an employee, cease to be such a director and such an employee) he shall, *mutatis mutandis*, be deemed thereupon to have served a transfer notice in respect of all the Ordinary Shares registered in his name (except as a trustee of the Benfield Employee Benefit Trust) as shall any Associate of him or any Bridge Company or Stock Borrower to which Ordinary shares have been transferred by such a member pursuant to article 11 in respect of Ordinary Shares held by that Associate, Bridge Company or Stock Borrower (otherwise, in the case of an Associate, than by virtue of such Associate's own employment by any Group company) and if any person (including such former director or former employee) acquires (at any time) any Ordinary Shares in pursuance of rights or interests obtained by such director or employee (pursuant to any employee share scheme of the Group or otherwise) and, at the time of such acquisition, that director or employee had ceased to be so employed, such person shall be deemed thereupon to have served a transfer notice in respect of all such Ordinary Shares registered in his name as shall any Associate of that director or employee or any Bridge Company or Stock Borrower to which Ordinary Shares have been transferred by such member pursuant to article 11 in respect of Ordinary Shares held by that Associate, Bridge Company or Stock Borrower (otherwise, in the case of an Associate, than by virtue of such Associate's own employment by any Group company), provided that this article shall not bind any director or employee who ceased to be a director or employee of Greig Fester Group Limited or any

company under its control (within the meaning of section 840) prior to 10 November 1997).

For the purposes of this article 13(f)(i), "employee" or "former employee" shall also include a Joint Venture Employee who shall for any reason cease to be employed by a Joint Venture (either because such Joint Venture Employee ceases for any reason to be employed by the relevant Joint Venture in the circumstances, mutatis mutandis, set out at the beginning of this article or because the Company or any Subsidiary ceases to have an interest in such Joint Venture) but the provisions of this article 13(f)(i) shall only apply to such a Joint Venture Employee in respect of Ordinary Shares acquired by such Joint Venture Employee after 31 October 1998 or by any Associate of such Joint Venture Employee or any other person pursuant to rights granted to such Joint Venture Employee under any employee share scheme of the Company or any Subsidiary after 31 October 1998. If a Joint Venture Employee becomes a director or employee of a company in the Group upon ceasing to be a Joint Venture Employee, such cessation shall not cause a transfer notice to have been deemed to have been served pursuant to this article 13(f)(i).

(g) After 6 May 1992, no member nor any Associate may, without the consent of the Directors, sell, transfer or otherwise dispose of any beneficial interest in any Ordinary Shares. If any such interest is sold, transferred or disposed of without the consent of the Directors, the member in question shall be deemed thereupon to have served a transfer notice in respect of the shares in question as shall any Associate of that member in respect of Ordinary Shares held by that Associate (otherwise than by virtue of such Associate's own employment by any Group company).

(h) Any transfer notice deemed to be served by virtue of paragraphs (e) to (g) and article 11 above will be immediately effective for the purposes of Article 4(E)(a) (voting rights), but will be valid in respect of the next Transfer Period to begin thereafter (or, if the Directors so determine, any Transfer Period then current) notwithstanding paragraph (d) above. Any member who has served or is deemed to have served a transfer notice in accordance with this Article 13 is referred to in this Article 13 as a "**Transferor**".

(i) In advance of any Transfer Period, the Directors will appoint the Auditors (or at their discretion, another appropriately qualified external and independent valuer) to give a view on the market value of any shares which are the subject of a transfer notice served in respect of such Transfer Period.

(j) The valuer shall take into account the information available in respect of the most recent audit, together with any additional information that is then available. The valuer shall be requested to perform the valuation promptly and in any event within a period specified by the Company in the terms of appointment. In performing the valuation and for the purposes of these Articles, the valuer will act as an expert and not as an arbitrator.

(k) The valuer's remuneration will be calculated on a basis to be determined by the Company and, unless otherwise agreed, will be borne to the extent permitted by law by the Company and otherwise by the Transferor.

(l) The Directors may, if in their absolute discretion they so decide, offer any Ordinary Shares or Incentive Shares which are the subject of a valid transfer notice for sale at the market value as determined by the valuer ("**Value**") to the following persons in the following order of priority (save and except that Incentive Shares may only be offered either to an Employee Trust, or to persons listed below who are also directors or employees of the Company):

(i) first, to one or more Employee Trusts;

(ii) secondly, (to the extent not taken up) to the Company for purchase out of its distributable profits;

(iii) thirdly, (to the extent not taken up) to any other holder or holders of Ordinary Shares selected by the Directors;

(iv) fourthly, (to the extent not taken up) to the Convertible Preference Shareholders in proportion to their holdings of Convertible Preference Shares; and

(v) finally, (to the extent not taken up) to any other person or persons selected by the Directors.

(m) If there is more than one person to whom Ordinary Shares or Incentive Shares are offered as mentioned in paragraph (l)(iii) or (v) above, the Directors shall be entitled to allocate the Ordinary Shares or Incentive Shares to be offered among such persons as they may decide, in the case of persons referred to in paragraph (l)(iii) to re-offer any such Ordinary Shares or Incentive Shares which are not taken up by any such person to another such person and, otherwise, subject to the conditions specifically laid down in these Articles, to conduct the offer of Ordinary Shares or Incentive Shares in such manner as they shall consider appropriate.

(n) If any person to whom Ordinary Shares or Incentive Shares are offered in accordance with paragraphs (l) and (m) expresses an interest in buying those shares at the Value, the Directors will indicate the relevant Value to the relevant Transferor and shall only proceed with any sale of the relevant shares if the relevant Transferor confirms to the Directors that he wishes a sale at that price to proceed (except where the relevant transfer notice was deemed to be served by paragraphs (e) to (g) above or article 11, in which case the Directors shall proceed with a sale to such prospective purchaser at a price equal to the Value).

(o) Where in the reasonable opinion of the Directors not all the Ordinary Shares or Incentive Shares which are the subject of valid transfer notices are likely to be sold at the Value the Directors may in their absolute discretion select those Ordinary Shares or Incentive Shares which may be so sold and may in respect of the remaining shares indicate to each relevant Transferor a different price from the Value at which the Directors consider that it would be possible for the remaining shares to be sold in the Transfer Period. In such a case, if the relevant Transferor (including, for the purposes of this paragraph, any person deemed to have served a transfer notice by paragraphs (e) to (g) above or article 11) confirms that he wishes his remaining shares to be re-offered for sale at that different price those shares shall be so re-offered but otherwise in accordance with paragraphs (l) to (n) and this paragraph (o).

(p) Following the completion of the procedure described in the above paragraphs the Transferor shall, upon payment of the price, transfer the relevant Ordinary Shares or Incentive Shares to the appropriate person. If the Transferor makes default in transferring the shares, the Directors may nominate some person to execute the necessary transfer on behalf of the Transferor and receive the purchase money and shall thereupon cause the name of the purchaser to be entered on the register as the holder of the shares and shall hold the purchase money in trust for the Transferor. The receipt of the Company shall be a good discharge to the purchaser, and after his name has been entered on the Register in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

(q) If any shares that are the subject of a transfer notice are not sold under the procedure referred to above, they will be retained by the relevant person, until, subject to paragraph (r) below, they are the subject of a further transfer notice.

(r) Any such unsold shares in respect of which the relevant transfer notice was deemed to be served by virtue of paragraphs (e) to (g) above or article 11 will be deemed to continue to be subject to a transfer notice and may be sold in any later Transfer Period at the appropriate price relevant to such Transfer Period.

Incentive Shares

(s) If a holder of Incentive Shares shall at any time cease to be a director or employee of the Company for any reason whatsoever (including death or bankruptcy) (or, in the case of a director who is also an employee, cease to be such a director and such an employee) the Company shall be entitled in its absolute discretion first to require by written notice such holder (or any person becoming entitled to such shares in consequence of the death or bankruptcy of such holder) to pay up any unpaid amount in respect of the Incentive Shares then held (notwithstanding the terms upon which it may otherwise have been agreed that any call on any such Incentive Share is to be paid) and/or to transfer such Incentive Shares to such person as the Board, in its absolute discretion, shall nominate at a price per share which shall be calculated in relation to each series of Incentive Shares so held as follows:

Date of Cessation	Price per Incentive Share ("Transfer Price")
Before the Series Third Anniversary of allotment of the relevant Incentive Shares	the amount paid up on such Incentive Share or the market value of such Incentive Share as determined by the Valuer (whichever is lower)
On or after the Series Third Anniversary	the market value of such Incentive Share as determined by the Valuer

(t) If no suitable transferee can be found by the Company then all rights of such Incentive Shares to dividends and a return of capital on a winding up shall be suspended until a buyer for such Incentive Shares can be found. The Board shall use its reasonable endeavours to find a suitable buyer for such Incentive Shares.

(u) The provisions of paragraph (p) shall apply mutatis mutandis to any transfer of Incentive Shares pursuant to paragraphs (s) and (t).

(v) For the purposes of paragraph (s) the Auditors or such other appropriately qualified external and independent valuer as the Board shall, in its absolute discretion determine, shall, acting as experts and not as arbitrators, be the "Valuer" responsible for calculating the Transfer Price relevant to any Incentive Shares.

REQUIRED TRANSFER OF SHARES

14. If, on any occasion, the Company delivers a notice to any member holding Ordinary Shares or Incentive Shares certifying that:

(i) an offer (whether or not conditional) has been made by a prospective purchaser which relates to the whole of the issued Ordinary Shares; and

(ii) holders of more than 50 per cent. of the aggregate number of Ordinary Shares then in issue "**Majority Holders**" have indicated that they are prepared to accept an offer for their Ordinary Shares at that price,

the member shall be obliged to transfer his entire holding of such shares to the prospective purchaser on the terms of the offer provided that the price that the member will receive under the terms of the offer for each share will be no less than the price Majority Holders will receive for their shares under the terms of the offer.

Article 13(p) shall apply to a transfer pursuant to this Article 14 as it applies to a transfer pursuant to the service of a transfer notice but, subject to that, Article 13 shall not apply to a transfer pursuant to this Article 14.

PRESIDENT

15. The Board may from time to time elect a President of the Company and may determine the period for which he shall hold office. Such President may be either honorary (and in such case may be paid such honorarium as the Board in their discretion shall think fit) or a member of the Board (and paid such remuneration as the Board in their discretion shall think fit), and need not be a Director but if not a Director shall not be entitled to receive notice of, or to vote, attend or speak, at meetings of the Board.

BORROWING POWERS

16. The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to section 80 of the Act, to issue debentures, debenture stock, and

other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

NOTICES OF MEETINGS

17. In any notice calling a meeting of the Company or of any class of members of the Company there shall appear with reasonable prominence the statement with regard to proxies required by section 372(3) of the Act.

PROCEEDINGS AT GENERAL MEETINGS

18. A poll may be demanded by one or more Members present in person or by proxy and having the right to vote at the meeting and paragraphs (b), (c) and (d) of regulation 46 of Table A shall be modified accordingly.

19. No shareholder or two shareholders shall be entitled to exercise in excess of 49 per cent. of the votes cast at any general meeting save at any general meeting where there are only two shareholders present in person or by proxy and entitled to vote.

DIRECTORS

20. Until otherwise determined by the Company in general meeting the number of Directors (excluding alternate directors) may be any number not exceeding fifteen and the minimum number of Directors shall be two.

21. The Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed as hereinbefore mentioned. Subject to this Article 21 and to section 303 of the Act, a Director may be appointed under this Article to hold office for life or any other period or upon such terms as to the rotation of his retirement as the Directors shall at the time of his appointment determine. A Director appointed to hold office for life or any other fixed period shall not during that period be subject to retirement by rotation or be taken into account in determining the rotation of retirement of directors.

22. Not used.

23. Provided that a Director declares his interest in a contract or arrangement or proposed contract or arrangement with the Company in manner provided by section 317 of the Act he shall be counted in the quorum at any meeting of directors at which the same is considered and shall be entitled to vote as a Director in respect thereof.

PROCEEDINGS OF DIRECTORS

24. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and, until so fixed, shall be two

25. A resolution determined on without any meeting of Directors and evidenced by writing under the hands of all the Directors or a sole Director shall be as valid and

effectual for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted.

ALTERNATE DIRECTORS

26. A Director, other than a sole Director and a Director appointed by the Preferred Ordinary Shareholders, who for any reason considers that he is unlikely to be able to attend meetings of the Board of directors may, with the approval of the other directors, by writing appoint any person to be an alternate Director in his place for a period not exceeding six months on any one occasion. The person so appointed shall not be required to hold any qualification share and shall be entitled to receive notices of and to attend and vote at meetings of the Board and shall automatically vacate his office on the expiration of the term for or the happening of the event until which he is by the terms of his appointment to hold office if the appointor in writing revokes the appointment or himself ceases for any reason to hold office as a Director. An appointment of an alternate Director under this Article shall not prejudice the right of the appointor to receive notices of and to attend and vote at meetings of the Board and the powers of the alternate Director shall automatically be suspended during such time as the Director appointing him is himself present in person at a meeting of the Board.

DIVIDENDS

27. All shares of a class shall participate equally in dividends declared or paid in respect of shares of that class in the Company and regulation 104 of Table A shall not apply to the Company.

INDEMNITY AND INSURANCE

28. (a) Subject to the provisions of and so far as may be permitted by the Act, every director, secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred or sustained by him in the execution and discharge of his duties or otherwise in relation thereto. Regulation 118 of Table A shall be extended accordingly.

(b) Without prejudice to the provisions of regulation 70 of Table A and of Article 28(a), the directors shall have power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time:-

(i) directors, officers, employees or auditors of the Company or of any other company which is its holding company, or in which the Company or such holding company has any interest whether direct or indirect, or which is in any way allied to or associated with the Company or such holding company, or of any subsidiary undertaking of the Company or of such other company;

(ii) trustees of any pension fund in which employees of the company or of any other such company or subsidiary undertaking are interested; including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported exercise, execution and/or discharge of their powers or

duties and/or otherwise in relation to their duties, powers or offices in relation to the Company or any other such company, subsidiary undertaking or pension fund.

SEAL

29. The seal, if any, shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a Director and by the Secretary or by a second Director. Any document signed by a Director and the Secretary of the Company or by two Directors and expressed (in whatever form of words) to be executed by the Company has the same effect as if executed under the seal of the Company. A document shall only be so signed with the authority of a resolution of the Directors or a committee of the Directors.