

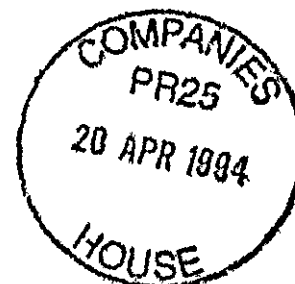
THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION
of
BALS ENGINEERING GROUP LIMITED

Ward Hadaway
Solicitors
Alliance House
Hood Street
NEWCASTLE UPON TYNE
NE1 6LJ
PRA.MR.BAL001.12

articles.bals.mrg



THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

BALS ENGINEERING GROUP LIMITED

(Adopted by Special Resolution passed on 15 April 1994)

PRELIMINARY

1. (A) The Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (such table being hereinafter called "Table A") other than Regulations 2, 3, 35, 41, 64 to 69 (inclusive), 73 to 77 (inclusive), 79 and 80, 87, 89, 94 to 97 (inclusive), 118, and the first sentence of Regulation 24, shall apply to the Company save in so far as they are varied hereby and such Regulations (save as so varied) and the Articles hereinafter contained shall be the regulations of the Company.
- (B) In these Articles the expression "the Act" means the Companies Act 1985 (as amended by the Companies Act 1989), but so that any reference in these Articles to any provision of the Act shall be deemed to include a reference to any statutory modification or re-enactment of that provision for the time being in force.

INTERPRETATION

2. Clause 1 in Table A shall be read and construed as if:-

- (A) The following definitions were added thereto:-

"Auditors" means the auditors from time to time of the Company;

"Bals" means Bals Elektrotechnik GmbH & Co KG of 5942 Kirchhundem-1, Albaum, Germany;

"Bals Director" means the director appointed by Bals pursuant to Article 23(C) and (D) of these Articles of Association;

"Bals Group" means Bals or any holding or any subsidiary company of a holding company of Bals;

"Charterhouse" means Charterhouse Development Capital Fund Limited having its registered office at 85 Watling Street, London EC4M 9BX and Northern & Midland Nominees Limited having its registered office at Royal Liver Building, Pier Head, Liverpool, L3 1NY and their respective successors and assignees from time to time;

"Charterhouse Group" means Charterhouse or any holding or any subsidiary company of a holding company of any of Charterhouse, any company in which any of Charterhouse has any shareholding interest which is not a competitor of the Company or all or any investment trusts or investment companies or funds managed by any of Charterhouse or such companies;

"Investors" means Charterhouse and Royal Bank;

"the Investors' Director" means the director appointed by the Investors pursuant to Article 23(A) and (B) of these Articles of Association;

"Net Profit" means the Company's net profit calculated on the historical cost accounting basis and shown in the audited profit and loss account of the Company for each of its financial periods from time to time and, in the event of the Company having any subsidiaries from time to time, the consolidated audited profit and loss account for the relevant year but computed:-

- (a) before extraordinary items but after exceptional items; and
- (b) before making any provision for any dividends or any transfer to reserves; and
- (c) before charging or making any provision for taxation; and
- (d) before depreciation of goodwill; and
- (e) after payment of interest.

"Royal Bank" means Royal Bank Development Limited of 42 St Andrews Square, Edinburgh EH2 2YE and its successor and assigns from time to time;

"Royal Bank Group" means Royal Bank or any holding or any subsidiary company of a holding company of Royal Bank, any company in which Royal Bank has any shareholding interest which is not a competitor of the Company or all or any investment trusts or investment companies or funds managed by Royal Bank or such companies;

"the Trading Subsidiaries" means Bals Industrial Accessories Limited (CRN : 2769705) Bals Electrical Engineering Limited (CRN : 2736911) Bals Switchgear Services Limited (CRN : 2718894) and Bals Switchgear Projects Limited (CRN : 2769212);

- (B) The words "and in the Articles of Association adopting the same" were inserted after the word "regulations" in the first line thereof.

- (C) Words and expressions defined in the Act shall have the same meanings in these Articles.

SHARE CAPITAL

3. (A) (1) The authorised share capital of the Company at the date of the adoption of these Articles is £1,892,587 divided into 5,000,000 Ordinary Shares of 10 pence each (the "Ordinary Shares"), 925,933 First Cumulative Redeemable Preference Shares of £1 each (the "FCRP Shares"), 172,727 Second Cumulative Redeemable Preference Shares of £1 each (the "SCRP Shares"), 130,582 Third Cumulative Redeemable Preference Shares of £1 each ("the TCRP Shares"), 110,000 Fourth Cumulative Redeemable Preference Shares of £1 each ('the Fourth CRP Shares') and 53,345 Cumulative Convertible Participating Preferred Ordinary Shares of £1 each (the "CCPPO Shares"). For the purposes of these Articles, the expression "equity share capital" shall mean the Ordinary Shares and the CCPPO Shares. The rights attaching to the said respective classes of shares shall be as follows:-

(2) As regards income

- (a) The holders of the FCRP Shares shall be entitled (in priority to any payment of dividend on any other class of shares) to a fixed cumulative preferential net cash dividend at the rate of 10% per annum (exclusive of any associated tax credit) of the subscription price paid on each FCRP Share (the "FCRP Dividend") such dividend to be paid half-yearly in arrears on 28 February and 31 August in each year, the first such payment to be made on 31 August 1994 in respect of the period from 1 March 1994.
- (b) The holders of the CCPPO Shares as a class shall be entitled to a cumulative annual dividend of a net cash sum of such amount (exclusive of any associated tax credit) as is equal to 5% of the Net Profit (the "CCPPO Dividend") for each financial year of the Company commencing on or after 1 April 1994. The CCPPO Dividend shall rank after the FCRP Dividend but in priority to all dividends payable on the SCRП Shares on the TCRP Shares on the Fourth CRP Shares and on the Ordinary Shares and shall be payable not more than fourteen days after the Annual General Meeting of the Company at which the audited accounts for the relevant year are adopted amongst the holders of the CCPPO Shares pro rata according to the amount paid up on the CCPPO Shares and the Annual General Meeting shall be held not later than three months after the Accounting Reference Date.

- (c) The holders of the SCRP Shares shall be entitled (in priority to any payment of dividends on any other class of shares other than the FCRP Shares and the CCPPO Shares) to a fixed cumulative preferential net cash dividend at the rate of 10% per annum (exclusive of any associated tax credit) of the subscription price paid on each SCRP Share ("the SCRP Dividend"), such dividend to be paid half-yearly in arrears on 28 February and 31 August in each year, the first such payment to be made on 31 August 1994 in respect of the period from 1 March 1994.
- (d) The holders of the TCRP Shares shall be entitled (in priority to any payments of dividends on any other class of shares other than the FCRP Shares, the CCPPO Shares, and the SCRP Shares) to a fixed cumulative preferential net cash dividend at the rate of 2% above the base lending rate from time to time of the Bank of Scotland per annum (exclusive of any associated tax credit) of the subscription price paid on each TCRP Share ("the TCRP Dividend"), such dividend to be paid half yearly in arrears on 28 February and 31 August in each year, the first such payment to be made on 31 August 1994 in respect of the period from 1 March 1994.
- (e) The holders of the Fourth CRP Shares shall be entitled (in priority to any payments of dividends on any class of shares other than the FCRP Shares, the CCPPO Shares, the SCRP Shares and the TCRP Shares) to a fixed cumulative cash dividend at the rate of 8% per annum (exclusive of any associated tax credit) of the subscription price paid on each Fourth CRP Share ("the Fourth CRP Dividend"), such dividend to be paid half yearly in arrears on 28 February and 31 August in each year, the first such payment to be made on 31 August 1994 in respect of the period from 1 March 1994.
- (f) Subject to the payment of the FCRP Dividend the CCPPO Dividend the SCRP Dividend the TCRP Dividend and the Fourth CRP Dividend (and all arrears of such dividends) referred to in subparagraphs (a), (b), (c), (d) and (e) above, any further profits which the Company may determine to distribute in respect of any financial year shall be distributed amongst the holders of the Ordinary Shares according to the amount paid up or credited as paid up on any such shares but subject to a maximum amount payable to the holders of the Ordinary Shares as a class in respect of any financial year of an amount equivalent to the CCPPO Dividend paid in respect of that financial year.

- (f) Unless the Company has insufficient profits available for distribution and the Company is thereby prohibited from paying dividends by the Act, the FCRP Dividend, the CCPPO Dividend the SCRP Dividend the TCRP Dividend and the Fourth CRP Dividend shall (notwithstanding regulations 102 to 108 inclusive contained in Table A or any other provision of these Articles and in particular notwithstanding that there has not been a recommendation of the directors or resolution of the Company in general meeting) be paid immediately on the due date and if not then paid shall be a debt due by the Company and be payable in priority to any other dividend.

(3) As regards capital

On a return of capital on liquidation or otherwise the surplus assets of the Company remaining after the payment of liabilities shall be applied in the following order:-

- (firstly) in paying to the holders of the FCRP Shares any arrears, deficiency or accruals of the FCRP Dividend thereon calculated down to the date of return of capital and payable irrespective of whether such dividend has been declared or earned or not;
- (secondly) in paying to the holders of the FCRP Shares the par value of the FCRP Shares;
- (thirdly) in paying to the holders of the CCPPO Shares any arrears, deficiency or accruals of the CCPPO Dividend thereon calculated down to the date of return of capital and payable irrespective of whether such dividend has been declared or earned or not;
- (fourthly) in paying to the holders of the CCPPO Shares the amount paid up or credited as paid up on the CCPPO Shares;
- (fifthly) in paying to the holders of the SCRP Shares any arrears, deficiency or accruals of the SCRP Dividend thereon calculated down to the date of return of capital and payable irrespective of whether such dividend has been declared or earned or not;
- (sixthly) in paying to the holders of the SCRP Shares the par value of the SCRP Shares;
- (seventhly) in paying to the holders of the TCRP Shares any arrears, deficiency or accruals of the TCRP Dividend thereon calculated down to

the date of return of capital and payable irrespective of whether such dividend has been declared or earned or not;

- (eighthly) in paying to the holders of the TCRP Shares the par value of the TCRP Shares;
- (ninthly) in paying to the holders of the Fourth CRP Shares any arrears, deficiency or accruals of the Fourth CRP Dividend thereon calculated down to the date of return of capital and payable irrespective of whether such dividend has been declared or earned or not;
- (tenthly) in paying to the holders of the Fourth CRP Shares the par value of the Fourth CRP Shares;
- (eleventhly) in paying to the holders of the Ordinary Shares the amount originally subscribed on each Ordinary Share; and
- (twelfthly) any surplus assets of the Company shall be distributed among the holders of the equity share capital as if they were members of the same class pro rata to the amounts paid up or credited as paid up thereon and rateably according to the number of shares held by them respectively.

(4) As regards redemption of the FCRP Shares

- (a) Subject to the provisions of the Act and notwithstanding the foregoing provisions of this Article, the Company shall redeem at their par value together with a sum equal to any arrears, deficiency or accruals of the FCRP Dividend calculated down to the date of such redemption irrespective of whether such dividend has been declared or earned or not the following number of the FCRP Shares then in issue on the following dates, namely:-

- (i) 60,819 FCRP Shares on 15 April 1994;
- (ii) 281,818 FCRP Shares on 28 February 1995;
- (iii) 281,818 FCRP Shares on 28 February 1996;
- (iv) 301,478 FCRP Shares on 28 February 1997;

or, if on any such date the Company cannot comply with the provisions of the Act relating to redemption, on such later date as the Company shall first be able so to comply.

- (b) On completion of the redemption of the FCRP Shares, the Company shall deliver to the holders of the FCRP Shares as the case may be, bankers' drafts for the total redemption price of such FCRP Shares together with all arrears or deficiency of dividend thereon calculated at the date of redemption, whether such dividends have been declared or earned or not, against delivery of the share certificates therefor and where a certificate comprises shares not to be redeemed, the Company will issue a fresh certificate for the balance.

(5) As regards redemption of the SCRP Shares

- (a) Subject to the provisions of the Act and notwithstanding the foregoing provisions of this Article and provided always that the Company shall first have redeemed all of the FCRP Shares the Company may redeem at their par value together with a sum equal to any arrears, deficiency or accruals of the SCRP Dividend calculated down to the date of such redemption irrespective of whether such dividend has been declared or earned or not such number of the SCRP Shares as shall be contained in a written notice from the Company to the holder of the SCRP Shares.
- (b) On completion of the redemption of the SCRP Shares, the Company shall deliver to the holders thereof a bankers' draft for the total redemption price of such SCRP Shares together with all arrears or deficiency of dividend thereon calculated at the date of redemption, whether such dividends have been declared or earned or not, against delivery of the share certificates therefor and where a certificate comprises shares not redeemed, the Company will issue a fresh certificate for the balance.

(6) As regards redemption of the TCRP Shares

- (a) Subject to the provisions of the Act and notwithstanding the foregoing provisions of this Article and provided always that the Company shall first have redeemed all of the FCRP Shares and all of the SCRP Shares, the Company may at any time on or after the 26 July 1997 redeem at their par value together with a sum equal to any arrears, deficiency or accruals of the TCRP Dividend calculated down to the date of such redemption irrespective of whether such dividend has been declared or earned or not such number of the TCRP Shares as shall be contained in a written notice from the Company to the holder of the TCRP Shares.

- (b) On completion of the redemption of the TCRP Shares, the Company shall deliver to the holders thereof a bankers' draft for the total redemption price of such TCRP Shares together with all arrears or deficiency of dividend thereon calculated at the date of redemption, whether such dividends have been declared or earned or not, against delivery of the share certificates therefor and where a certificate comprises shares not redeemed, the Company will issue a fresh certificate for the balance.

(7) As regards redemption of the Fourth CRP Shares

- (a) Subject to the provisions of the Act and notwithstanding the foregoing provisions of this Article and provided always that the Company shall first have redeemed all of the FCRP Shares, the SCRP Shares and the TCRP Shares, the Company may at any time on or after the 30 September 1997 redeem at their par value together with a sum equal to any arrears, deficiency or accruals of the Fourth CRP Dividend calculated down to the date of such redemption irrespective of whether such dividend has been declared or earned or not such number of the Fourth SCRP Shares as shall be contained in a written notice from the Company to the holder of Fourth CRP Shares.
- (b) On completion of the redemption of the Fourth CRP Shares, the Company shall deliver to the holders of the Fourth CRP Shares as the case may be, bankers' drafts for the total redemption price of such Fourth CRP Shares together with all arrears or deficiency of dividend thereon calculated at the date of redemption, whether such dividends have been declared or earned or not, against delivery of the share certificates therefor and where a certificate comprises shares not to be redeemed, the Company will issue a fresh certificate for the balance.

(8) As regards conversion of the CCPPO Shares

- (a) Any holder or holders of a majority in nominal value of the CCPPO Shares may on the occurrence of a Conversion Event (as hereinafter defined) by notice in writing, which notice shall be binding on all holders of CCPPO Shares at the time of issue of such notice, notwithstanding that it has not been given by or with the agreement of each of such holders (hereinafter referred to as the "Conversion Notice") delivered to the Company at any time or times convert all (or part) of the CCPPO Shares then in issue (the Shares so

converted being hereinafter referred to as "the Relevant CCPPO Shares") into Ordinary Shares at the rate of 10 Ordinary Shares for each CCPPO Share, and the following provisions shall have effect:-

- (i) in the event that any Conversion Notice relates to less than the whole of the CCPPO Shares in issue at the time of service of such Conversion Notice, the proportion of the CCPPO Shares held by each holder of CCPPO Shares to be converted pursuant to such Conversion Notice shall be the same proportion as that which the number of CCPPO Shares held by the holder in question bears to the total number of CCPPO Shares then in issue;
- (ii) conversion of such CCPPO Shares into Ordinary Shares shall take effect immediately upon the date of delivery of the Conversion Notice (hereinafter called "the Date of Conversion");
- (iii) forthwith after the Date of Conversion the holder or holders of all of the CCPPO Shares then in issue shall send to the Company its or their certificates in respect of the Relevant CCPPO Shares and the Company shall issue to such holders certificates for the Ordinary Shares resulting from the conversion and, if appropriate, certificates for the balance of the remaining CCPPO Shares;
- (iv) the Ordinary Shares resulting from such conversion shall rank pari passu in all respects with the other Ordinary Shares in issue at the Date of Conversion in the capital of the Company save that they will rank for a dividend on the Ordinary Shares in respect of the financial year current at the Date of Conversion only for that proportion of the ordinary Dividend in respect of that financial year which the number of days in that financial year from the Date of Conversion bears to the total number of days in that financial year but will be entitled to receive not more than fourteen days after the Annual General Meeting of the Company at which the audited accounts for the financial year during which the Date of Conversion occurred are adopted an additional amount of dividend equivalent to that proportion of the CCPPO Dividend (which would have been payable on the

Relevant CCPPO Shares if conversion had not taken place) in respect of that financial year which the number of days in that financial year up to the Date of Conversion bears to the total number of days in that financial year.

(b) For the purposes of this Article 3(A)(8), "Conversion Event" shall mean the happening of either of the following:-

- (i) a transfer of shares representing a Controlling Interest (as defined in Article 15 hereof) being presented for approval by the Board of Directors of the Company; or
- (ii) a meeting of the Board of Directors of the Company being convened to discuss the listing of any shares in the share capital of the Company on The International Stock Exchange of the United Kingdom and the Republic of Ireland ("the Stock Exchange") or the granting of permission for such shares to be dealt with on the Unlisted Securities Market of the Stock Exchange or on any other public securities market.

(9) As regards Voting

The CCPPO Shares shall each have ten votes per share and the Ordinary Shares shall each have one vote per share. The FCRP Shares shall not in right thereof have any votes; Provided that the FCRP Shares shall entitle the holders thereof to receive notice of and attend all general meetings but shall only entitle the holders thereof to vote at any general meeting (when the FCRP Shares shall have ten votes per share) if the FCRP Dividend is six months in arrears and remains unpaid at the date of the general meeting or any redemption monies payable in respect thereof under paragraph (A)(4) of this Article 3 shall not have been paid on the due date therefor. The SCRP Shares the TCRP Shares and the Fourth CRP Shares shall not in right thereof have any votes.

(B) Subject to the provisions of the Act the Company may:-

- (1) issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or of the holder on such terms and such manner as shall be provided in these Articles; and
- (2) purchase its own shares (including any redeemable shares) and, if it is a private company, make a payment in respect of the redemption or purchase of its own shares otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares.

4. Subject to the provisions of these Articles and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, all shares shall be issued to such persons and upon such terms and conditions and with such rights, priorities, privileges or restrictions as the Resolution creating or issuing such shares or effecting the increase in the authorised share capital of the Company shall prescribe but, in the absence of any such prescription, all shares whether forming part of the existing or any increased capital shall be at the disposal of the directors of the Company who may issue them, subject to Section 80 of the Act, to such persons at such times and generally on such terms and conditions and with such rights, priorities, privileges or restrictions as they may think fit.

CLASS RIGHTS

5. (A) 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, with the consent in writing of the holders of not less than three fourths in nominal value 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. To every such separate meeting all the provisions of these Articles relating to General Meetings of the Company or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be one person present in person or by proxy (whenever there is only one holder of shares of that class) but where there are two or more holders of that class the quorum shall be two persons at least holding or representing by proxy not less than 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 that Member who is 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 PROVIDED THAT, without prejudice to the generality of this Article, the special rights attached to the CCPPO Shares and the FCRP Shares shall be deemed to be varied in the following circumstances:-

- (a) if there shall occur any breach of any undertaking given by the Company or any holder of Ordinary Shares in any agreement (being an agreement additional to these Articles) between the Company and/or any holder or holders of Ordinary Shares and the holders of any CCPPO Shares and/or FCRP Shares, including without prejudice to the foregoing generality, the Subscription Agreement to be entered into after the date of the adoption of these Articles among inter alios the Company, Bals, Charterhouse and Royal Bank (hereinafter the "Subscription Agreement"), or any such breach is threatened or proposed; or

- (b) by the presentation of a petition or an order being made or a meeting of the members of the Company being called for the purpose of considering a resolution for the winding up of the Company or any of its subsidiaries; or if a receiver or manager or administrative receiver or administrator is appointed or the appointment of a receiver or manager or administrative receiver or administrator is threatened or proposed; or
- (c) otherwise than pursuant to a resolution of the Board of Directors of the Company in respect of which the Charterhouse Director voted in favour:-
 - (i) by the declaration or payment of a dividend otherwise than pursuant to Article 3; or
 - (ii) by failure to pay the CCPPO Dividend or the FCRP Dividend in accordance with Article 3(A)(2); or
 - (iii) the failure to pass a resolution to pay a dividend; or
- (d) by the calling of a meeting of the Company or any of its subsidiaries to consider the redemption or purchase of any shares in the Company or its subsidiaries otherwise than out of the distributable profits or the proceeds of a fresh issue of shares.

FURTHER ISSUE OF SHARES

6. For the purposes of Section 80 of the Act, the directors are generally and unconditionally authorised at any time and from time to time during the period of five years commencing on the date of adoption of these Articles to exercise all powers of the Company to allot Relevant Securities (within the meaning of said Section 80) provided that the foregoing authority shall be exercisable with respect to Relevant Securities having a nominal value of not more than £1,892,587 in aggregate.
7. (A) Unless otherwise agreed by the holders of the CCPPO Shares, all or any unissued shares shall before issue be offered in the first instance to the members holding equity share capital in proportion as nearly as circumstances admit to their existing holding of such shares. Any such offer shall be made by notice in writing specifying the number of shares comprised in the offer and specifying a date (being not less than fourteen days after the date of the offer) after which the offer, if not by then accepted, will be deemed to have been refused. The offer shall indicate that it may be accepted in respect of a lesser number of shares than those comprised in the offer. At the expiration of the time limit specified in the offer, the number of shares offered to the holders of equity share capital but not so accepted shall be offered for subscription by means of a second offer ("the Second Offer") to those holders of equity share capital who have accepted all the shares offered to them in the first instance. The Second Offer shall be made by notice in

writing specifying a date (being not less than fourteen days after the date of the Second Offer) after which the Second Offer if not then accepted (whether in respect of all or part of the Excess Shares (as hereinafter defined)) will be deemed to have been refused. The Second Offer shall specify the total number of shares available for subscription ("the Excess Shares") and shall notify the offerees that any of them who wishes to acquire any of the Excess Shares should in his reply state how many of the Excess Shares he desires to have. In the event of the Excess Shares being insufficient in number to satisfy all the requests received for Excess Shares, such request or requests for Excess Shares shall be satisfied to an extent in proportion as nearly as circumstances admit to the then existing holding of Ordinary Shares or CCPPO Shares of the members making such request. If any shares are not taken up by the existing members in accordance with the provisions of this Article then the directors may dispose of such shares to such persons and on such terms and conditions as they deem desirable.

(B) In accordance with Section 91 of the Act, the provisions of Sections 89(1) and 90(1) to (6) of the Act are hereby expressly excluded.

8. Without prejudice to the provisions of Regulation 5 of Table A, the Company shall be entitled to register trustees as such in respect of any shares held upon any trust.

LIEN

9. In Regulation 8 of Table A the words "(not being a fully paid share)" shall be omitted and the words "and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person or in the name of any person jointly with another or others for all monies presently payable by him or any of them or his estate or their estates to the Company" shall be inserted after the words "in respect of that share".

FORFEITURE OF SHARES

10. Regulation 18 of Table A is hereby modified by adding at the end of the first sentence thereof the following:-

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

TRANSFER OF SHARES

11. For the purpose of these Articles, the renunciation or negotiation of any temporary document of title to any share shall constitute a transfer.
12. Subject to such of the restrictions of these Articles as may be applicable, any member may transfer all or any of his shares in writing in any usual or common form or in any other form which the directors may approve. An instrument of transfer of a share (other than a partly paid share) need not be executed on behalf of the

transferee. The transferor shall remain the holder of the shares and as such a member of the Company until the name of the transferee is registered in the Register of Members in respect thereof.

13. (A) Subject to Articles 14 and 15 below, any person proposing to transfer any of his shares in the Company (hereinafter called "the Proposing Transferor") shall give notice in writing (hereinafter called "a Transfer Notice") to the Company that he desires to transfer the same. A Transfer Notice shall specify the sum he fixes as the Fair Value (as hereinafter referred to) and shall constitute the Company as his agent for the sale of the shares to a shareholder or shareholders in the Company who is or are willing to purchase the shares (hereinafter referred to as the "Purchasing Member or Members") at the Fair Value so fixed or, at the option of the Purchasing member or Members, at the Fair Value to be fixed by the Auditors of the Company in accordance with paragraph (B) of this Article. In the case of the FCRP Shares, the SCRP Shares, the TCRP Shares and the Fourth CRP Shares, the Fair Value shall be an amount not exceeding the amount at which these shares could have been redeemed in terms of Articles 3(A)(4)(a), 3(A)(5)(a), 3(A)(6)(a) or 3(A)(7)(a), as the case may be.
- (B) In case any difference arises between the Proposing Transferor and the Purchasing Member or Members as to the Fair Value of a share, the Auditors of the Company shall, on the application of either party, certify the sum which, in their opinion, is the Fair Value and in determining the Fair Value of any share forming part of the equity share capital, the Auditors shall:-
- (i) determine the sum which a willing purchaser would offer to a willing seller for the whole of the issued equity share capital;
 - (ii) divide the resultant figure by the number of shares of the equity share capital in issue on the basis that if not already converted the CCPPO Shares shall be deemed to have been converted into Ordinary Shares in accordance with Article 3(A)(8) hereof; and
 - (iii) make such adjustments as they consider necessary to allow for any rights which may be outstanding and in particular those whereunder any person, firm or body corporate may call for the issue of further shares, so that there shall be no addition or subtraction of any premium or discount arising in relation to the size of the holding, the subject of a Transfer Notice, or in relation to any restrictions on the transferability of shares.

In certifying the Fair Value as defined aforesaid, the Auditors shall be considered to be acting at the cost and expense of the Company as experts and not as arbiters, and provided that the Auditors were given such information as in their opinion they required for the purposes of such certification, their certificate shall be final and binding on all concerned.

- (C) The shares specified in any Transfer Notice given to the Company as aforesaid shall be offered by the Company in the first instance to the shareholders holding equity share capital in the Company, other than the Proposing Transferor, as nearly as may be in proportion to the existing equity share capital held by them and the offer shall in each case limit the time in which the same, if not accepted, shall be deemed to be declined, and shall notify to such shareholders that any such shareholder who desires to acquire shares in excess of his proportion should in his reply state how many additional shares he desires to have; and if all such shareholders do not claim their proportion the unclaimed shares shall be used for satisfying the applications for additional shares. If there shall be insufficient of the said unclaimed shares to satisfy in full all such applications for additional shares, the said unclaimed shares shall be distributed among such shareholders making such applications as nearly as may be in proportion to their respective holdings of equity share capital in the Company provided that no person shall be bound to take more additional shares than the due proportion which he originally offered to take up.
- (D) If the Company shall, within the space of 40 days after being served with a Transfer Notice, find a Purchasing Member or Members in respect of all the shares and shall give notice thereof to the Proposing Transferor, the Proposing Transferor shall be bound upon payment of the Fair Value as fixed in accordance with paragraphs (A) or (B) of this Article to transfer the shares to the Purchasing Member or Members.
- (E) If in any case the Proposing Transferor, after having become bound as aforesaid, makes default in transferring the shares, the Company may receive the purchase monies and the Proposing Transferor shall be deemed to have appointed any one director or the secretary of the Company as his agent to execute a transfer of the shares to the Purchasing Member or Members and upon the execution of such transfer the Company shall hold the purchase monies in trust for the Proposing Transferor. The receipt of the Company for the purchase monies shall be a good discharge to the Purchasing Member or Members and after his or their name(s) has/have been entered in the Register of Members of the Company in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.
- (F) If the Company shall not, within the space of 40 days after being served with the Transfer Notice, find a Purchasing Member or Members in respect of all the shares referred to in the Transfer Notice and give notice aforesaid, the Proposing Transferor shall at any time within three months thereafter be at liberty, subject to Article 15 below and to paragraph (G) of this Article, to sell and transfer all the shares (but not part only) to any person or persons at a price not less than the Fair Value fixed in accordance with paragraphs (A) or (B) hereof.
- (G) The Directors shall register any transfer effected according to the procedures specified in Articles 13 and 14 hereof.

(H) If any of the Employees (as hereinafter defined) shall cease to be an employee of the Company or any of its subsidiaries for any reason (other than in the case of Derek Scholey and/or Edward Metcalf because of reaching normal retirement age but for no other reason) he shall unless otherwise agreed by the Investors be deemed to have given a Transfer Notice relating to all his shares in the Company to which the terms of this Article 13 shall apply accordingly. For the purposes of this Article 13(H) "Employee" means any person who at or subsequent to the date of adoption of the Articles is employed by the Company or any of its subsidiaries. In the event that an Employee is deemed to have given a Transfer Notice by virtue of the foregoing provisions of this paragraph (H) and the date upon which he ceased to be an Employee is within three years of the date on which he first had allotted to him shares in any of the Trading Subsidiaries then the Transfer Price for the purposes of that Transfer Notice shall be the aggregate par value of the shares the subject of the Transfer Notice or if less their Fair Value.

14. The restrictions on the transfer of shares contained in Article 13 shall not apply to:-

- (i) a transfer of any shares by an Investor to a member of the Charterhouse Group or the Royal Bank Group;
- (ii) a transfer of any shares by any member to that member's spouse or to any direct descendant of that member or to any trust for any of such permitted transferees;
- (iii) a transfer of any shares by a member of the Bals Group to another member of the Bals Group or to Gunter Bals or to his spouse or to any direct descendant of Gunter Bals or to any trust for any such permitted transferee.
- (iv) a transfer pursuant to or in accordance with the "Option Agreement" or the "Reverse Option Agreement" the terms "Option Agreement" and "Reverse Option Agreement" having the meaning ascribed to it in the Subscription Agreement.

15. (1) The Directors shall not register the transfer of any shares (hereinafter called "the Specified Shares") conferring the right to vote at General meetings of the Company, if such transfer is intended to be made to a person not a member of the Company at the date of adoption of these Articles of Association and which would result if made and registered in a person or that person's Associates (as hereinafter defined) who is or are not a member or members of the Company at the date of adoption of these Articles of Association obtaining a Controlling Interest (as hereinafter defined) in the Company, without the previous written consent of all the shareholders unless the Company shall have given each shareholder notice in writing of such sale or transfer (including details of the terms thereof) and the proposed transferee or transferees or his or their nominees shall have upon the expiry of the period of twenty one days after the

date of such notice offered to purchase at the Specified Price as hereinafter defined the whole of the issued share capital of the Company (on the basis that the CCPPO Shares shall be deemed to have been converted into Ordinary Shares in accordance with Article 3(A)(8) hereof) and such offer shall have remained open for acceptance for a period of not less than seven days.

(2) For the purpose of this Article 15, the expression:-

"Associate" shall mean:-

- (a) the husband, wife, mother, father, grandmother, grandfather, brother, sister, child (including adopted child) or other lineal descendant of any relevant person;
- (b) the trustees of any settlement set up by any relevant person or, of any settlement of which a relevant person is or is capable of being a beneficiary;
- (c) any nominee of a relevant person;
- (d) any subsidiary or holding company (as such expressions are defined in the Act) of any company or corporation which is for the time being a member of the Company and any other subsidiary of any such holding company;
- (e) any person with which any relevant person is connected, the question of whether such person is so connected falling to be determined for this purpose in accordance with the provisions of Section 839 of the Income and Corporation Taxes Act 1988; and
- (f) any person with whom any relevant person is acting in concert (such expression to have the same definition and meaning as that ascribed thereto in the City Code on Take-overs and Mergers as for the time being current);

"a Controlling Interest" shall mean shares conferring in the aggregate more than fifty per centum of the voting rights attached to the equity share capital in the capital of the Company for the time being in issue;

"the Specified Price" shall mean a price per share at least equal to that offered or paid or payable by the proposed transferee or transferees or his or their nominees for the Specified Shares to the holders thereof plus an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Shares which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the price paid or payable for the Specified Shares and in the event of disagreement the calculation of the Specified Price shall be referred to an independent person (acting as expert and not as arbiter) nominated by the parties concerned (or in the event of a disagreement as to nomination appointed, on the application of either party, by the President for the time being of the Institute

of Chartered Accountants) whose decision shall be final and binding.

16. For the purposes of each of the four preceding Articles, the expression "transfer" shall extend to and include the entering into of any contract, undertaking or arrangement whereby the holder of a share holds the same upon trust for the benefit of or as nominee for any other person.

GENERAL MEETINGS AND RESOLUTIONS

17. (A) A notice convening a General meeting shall be required to specify the general nature of the business to be transacted only in the case of special business and Clause 38 in Table A shall be modified accordingly. All business shall be deemed special that is transacted at an Extraordinary General meeting, and also all that is transacted at an Annual General meeting, with the exception of declaring a dividend, the consideration of accounts, balance sheets, and the reports of the directors of the Company and Auditors, and the appointment of, and the fixing of the remuneration of, the Auditors.
- (B) Every notice convening a General Meeting shall comply with the provisions of Section 372(3) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any General meeting which any member is entitled to receive shall be sent to the directors of the Company and to the Auditors.
18. (A) Clause 40 in Table A shall be read and construed as if the words "at the time when the Meeting proceeds to business" were added at the end of the first sentence.
- (B) If a quorum is not present within half an hour from the time appointed for a General Meeting, the General Meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the directors of the Company may determine; and if at the adjourned General Meeting a quorum is not present within half an hour from the time appointed therefore such adjourned General Meeting shall be dissolved.
19. At any General Meeting of the Company, 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 sub-clauses (b), (c) and (d) of Regulation 46 of Table A shall be modified accordingly.
20. In respect of any matter constituting an actual or deemed variation of rights as set out in Article 5 of these Articles requiring or being the subject matter of a resolution of members in General Meeting whether or not convened by the Board of Directors the holders of the CCPPO Shares then in issue would confer on a poll of the holders of the CCPPO Shares 75% of the total votes capable of being exercised at such General Meeting and without prejudice to the generality of the foregoing the provisions of this Article shall apply:-

- (a) in respect of any General meeting at which a resolution to wind up the Company voluntarily is proposed; or
- (b) in respect of any General Meeting at which a resolution is proposed for the removal from office of any Investors' Director appointed pursuant to Article 23.

APPOINTMENT AND REMOVAL OF DIRECTORS

- 21. Unless and until otherwise determined by Ordinary Resolution of the Company, there shall be a maximum number of eight directors of the Company, and the minimum number of directors shall be two.
- 22. The directors of the Company shall not be required to retire by rotation.
- 23. (A) Notwithstanding any limitation on the number of directors fixed in accordance with these Articles, the Investors shall be entitled so long as they or any member of the Charterhouse Group or Royal Bank Group holds any shares in the Company from time to time to appoint at any time and from time to time a person to be a director of the Company and to remove from office any director so appointed and to appoint another in his place and whilst a member of the Charterhouse Group and/or Royal Bank Group holds any CCPPO Shares, there shall be no quorum at any meeting of the Board of Directors at which any variation of the rights as defined in Article 5 are to be discussed unless the Investors' Director is present, and at such meeting the Investors' Director shall be entitled to such number of votes as shall constitute a majority on the Board PROVIDED THAT if the Investors' Director shall not be present but shall have prior to the relevant meeting deposited a written notice consenting to the meeting being held in his absence then the quorum for such meeting shall be any two directors.
- (B) The appointment and removal of the Investors' Director shall, unless otherwise agreed between the Investors and the Company, be effected by a notice or notices in writing signed on behalf of the Investors and given to the Company at the Office and shall take effect forthwith upon receipt.
- (C) Notwithstanding any limitation on the number of directors fixed in accordance with these Articles, Bals shall be entitled so long as it or any member of the Bals Group or Gunter Bals or any Associate of his holds any shares in the Company from time to time to appoint at any time and from time to time a person to be a director of the Company and to remove from office any director so appointed and to appoint another in his place.
- (D) The appointment and removal of the Bals Director shall, unless otherwise agreed between Bals and the Company, be effected by a notice or notices in writing signed on behalf of Bals and given to the Company at the Office and shall take effect forthwith upon receipt.

24. The remuneration to be paid to the Investors' Director shall be payable by the Company to the Investors and shall be such sum and in such proportions between Charterhouse and the Royal Bank as may be determined in accordance with any agreement (being an agreement additional to these Articles) between the Company and the Investors and Regulation 82 in Table A shall be read and construed accordingly.
25. In addition and without prejudice to the provisions of Sections 303 and 304 of the Act, the Company may, by Extraordinary Resolution remove any director of the Company (other than one appointed pursuant to Article 23 above) before the expiry of his period of office and may, if thought fit, by ordinary Resolution appoint another person in his stead. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the Company.
26. No person shall be appointed as an additional director of the Company (except pursuant to Article 23) unless he shall first have agreed in writing and in consideration of his appointment as a director to be bound in all respects by all undertakings, representations and warranties given by the Company in any agreement (being an agreement additional to these Articles) to which the Company and any holder or holders of Ordinary Shares in the Company and the holders of any CCPPO Shares and/or FCRP Shares are parties, as if he were a party to such agreement.

BORROWING POWERS

27. The directors of the Company may exercise all the powers of the Company (whether express or implied) to borrow and/or secure the payment of money, to guarantee the payment of money and the fulfilment of obligations and the performance of contracts and to mortgage or charge the property assets and uncalled capital of the Company and (subject to Section 80 of the Act) to issue debentures, debenture stock and all other securities whether outright or as security for any debt liability or obligation of the Company or of any third party.

GRATUITIES AND PENSION

28. The directors of the Company may exercise all the powers of the Company conferred by the Memorandum of Association of the Company to pay and/or provide pensions, annuities, gratuities, superannuation, and other allowances, benefits, advantages, facilities and services both for persons who are or have been directors of, or who are or have been employed by the Company and their dependants and relatives and the directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

PROCEEDINGS OF DIRECTORS

29. After the words "Subject to the provisions of the Act" in Regulation 85 of Table A there shall be inserted the following "and any relevant provisions contained in any agreement (being an agreement additional to these Articles) to which any director who is also a holder of Ordinary Shares, and the holders of any CCPPO Shares and/or FCRP

Shares are parties" and Regulation 85 shall be read and construed accordingly.

30. A director may vote, at any meeting of the directors or of any committee of the directors, on any resolution, notwithstanding that it in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever, and if he shall vote on any such resolution as aforesaid his vote shall be counted; and in relation to any such resolution as aforesaid he shall (whether or not he shall vote on the same) be taken into account in calculating the quorum present at the meeting.
31. Subject always to the provisions of Article 23(A) the quorum necessary for the transaction of the business of the directors shall be two. A person who holds office only as an alternate director shall if his appointor is not present be counted in the quorum.

ALTERNATE DIRECTORS

32. (A) Each director of the Company shall have the power (1) at any time to appoint as an alternate director, either another director of the Company or any other person who in the case of an alternate appointed by a director of the Company other than the Investors' Director or the Bais Director shall be approved for that purpose by resolution of the directors and (2) at any time, to terminate such appointment.
- (B) The appointment of an alternate director shall automatically terminate on the happening of any event which, if he were a director of the Company, would cause him to vacate the office of director or if his appointor shall cease for any reason to be a director of the Company otherwise than by retiring and being re-appointed at the same meeting.
- (C) Every appointment, removal or resignation of an alternate director, shall be in writing signed by the appointor or (as the case may be) by the alternate director and shall take effect (subject to any approval required under sub-clause (A) of this Article) upon receipt of such written appointment, removal or resignation at the Office of the Company.
- (D) An alternate director shall, (subject to his giving to the Company an address within the United Kingdom at which notices may be served) be entitled to receive notice of all meetings of the directors of the Company or of any committee of the directors of which his appointor is a member, and to attend and, in place of his appointor, vote as a director and be counted for the purposes of a quorum at any such meeting at which his appointor is not personally present and generally, in the absence of his appointor, to perform and exercise all the functions, powers and duties as a director of his appointor and to receive notice of all General Meetings. An alternate director shall during his appointment, be an officer of the Company and shall not be deemed to be an agent of his appointor but shall not be entitled to any remuneration or fee from the Company.

- (E) A director of the Company or any other person may act as alternate director to represent more than one director of the Company and an alternate director shall be entitled at meetings of the directors of the Company or any committee of the directors of the Company to one vote for every director whom he represents in addition to his own vote (if any) as a director.

NOTICES

33. Clause 115 in Table A shall be read and construed as if the words "unless the contrary is proved" were omitted therefrom.

INDEMNITY

34. Every director or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Sections 144 or 727 of the Act in which relief is granted to him by the Court, and no director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto PROVIDED THAT this Article shall only have effect insofar as its provisions are not avoided by Section 310 of the Act.