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THE COMPANIES ACTS 1985 AND 2006

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COMPANY LIMITED BY SHARES

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ARTICLES OF ASSOCIATION

of

SOUTHERN ELECTRIC POWER DISTRIBUTION PLC

Company Number 4094290

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1. **CONSTITUTION AND DEFINITIONS**

1.1 The Company is established as a public company within the meaning of section 1(3) of the Companies Act 1985 (the **1985 Act**) in accordance with and subject to the provisions of the 1985 Act including any statutory modification or re-enactment thereof for the time being in force and includes any provisions of the Companies Act 2006 which are in force (the **2006 Act**) and of the memorandum of association of the Company and of the Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 as amended or modified from time to time (**Table A**).

1.2 Regulations 2, 24, 40, 64, 73 to 80 (inclusive), 101, 111, 112, 115, 116 and 118 of Table A shall not apply to the Company. To the extent there is any inconsistency between these articles and Table A, these articles shall prevail.

1.3 In the articles the following terms shall have the meanings stated:

**Companies Acts** has the meaning given in section 2 of the 2006 Act.

**Company** means Southern Electric Power Distribution plc (registered number 4094290) whose registered office is at 55 Vastern road, Reading, Berkshire RG1 8BU.

**Conflicted Confidential Information** has the meaning given in article 11.7.1.

**Directors** means the directors of the Company from time to time.

**Parent Company** has the meaning given in article 15.1.

**SSE** means Scottish & Southern Energy plc (registered number SC117119) whose registered office is at Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ.

**Shares** means the shares in the capital of the Company or any class from time to time.

## 2. **SHARE CAPITAL AND ALLOTMENT OF SHARES**

- 2.1 The authorised share capital of the Company is £7,850,000 divided into 7,850,000 ordinary shares of £1 each.
- 2.2 No Shares, nor any right to subscribe for or convert any security into any Shares shall at any time be allotted or granted unless every shareholder has consented in writing to such allotment or right to subscribe for or convert and to its terms and to the identity of the proposed allottee or beneficiary.
- 2.3 In accordance with section 91 of the 1985 Act, Sections 89 (1) and 90 (1) to (6) inclusive of the 1985 Act shall not apply to the Company to an allotment of any shares where the consent to that allotment of every shareholder has been obtained as required by these articles and that allotment otherwise conforms to the requirements of these articles.
- 2.4 The Directors are authorised to exercise all powers of the Company to allot relevant securities, but only if the allotment otherwise conforms to the requirements of these articles. The maximum nominal amount of relevant securities which may be allotted under this authority shall be the nominal amount of the unissued share capital of the Company at the date of adoption of these articles.
- 2.5 The authority conferred on the Directors under article 2.4 shall remain in force for a period of five years from the date of adoption of these articles.

## 3. **SHARE CERTIFICATES**

Regulation 6 of Table A is modified by adding after the words "Every certificate shall be sealed with the seal" where those words appear at the beginning of the second sentence of such regulation the following:

"or otherwise subscribed or executed by the Company in accordance with the provisions of the Companies Act 2006".

#### 4. **LIEN**

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 one or more of them or his estate or their estates to the Company" shall be inserted after the words "in respect of that share".

#### 5. **FORFEITURE OF SHARES**

Regulation 18 of Table A is modified by adding at the end of the first sentence of such regulation the following:

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

#### 6. **TRANSFER OF SHARES**

- 6.1 No shareholder shall sell, transfer, assign, pledge, charge or otherwise dispose of any Shares except in accordance with the provisions of this article 6.
- 6.2 A Parent Company may at any time sell, transfer, assign or otherwise dispose of its Shares or interest in any Shares to a 100% subsidiary of such Parent Company or a 100% subsidiary of SSE.
- 6.3 Any Shares or any interest in any Shares may be transferred, assigned, charged or otherwise disposed of to any person with the written consent of all shareholders for the time being.
- 6.4 The Directors may, in their absolute discretion and without assigning any reason, decline to register any transfer of any Share, whether or not it is a fully paid Share.

#### 7. **GENERAL MEETINGS**

- 7.1 No business shall be transacted at a general meeting unless a quorum is present. If and for so long as the Company has only one member the quorum for a general meeting is one. Regulation 40 of Table A shall be modified accordingly.
- 7.2 Directors may attend and speak at general meetings, whether or not they are shareholders.

7.3 A written resolution to be given by a corporation which is a member of the Company may be signed, on its behalf, by a director or secretary of that corporation or by the attorney or authorised representative of that corporation. Regulation 53 of Table A shall be extended accordingly.

7.4 A poll may be demanded at any general meeting by the chairman or by any member present in person or by proxy or, in the case of a corporation, by a duly authorised representative, and entitled to vote at the meeting. Regulation 46 of Table A shall be construed accordingly.

## 8. MEANS OF COMMUNICATION

8.1 Subject to the articles, anything sent or supplied by or to the Company under the articles may be sent or supplied in any way in which the 2006 Act provides for documents or information which are authorised or required by any provision of the 2006 Act to be sent or supplied by or to the Company.

8.2 Subject to the articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

8.3 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

## 9. ADDRESSES AND OTHER CONTACT DETAILS

9.1 Anything to be sent to a shareholder under the articles may be sent to that shareholder's address as registered in the register of members, unless:

9.1.1 the shareholder and the Company have agreed that another means of communication is to be used; and

9.1.2 the shareholder has supplied the Company with the information it needs in order to be able to use that other means of communication.

9.2 Any notice or document sent to a Director may be sent to that Director's address as registered in the register of directors, unless:

9.2.1 the Director and the Company have agreed that another means of communication is to be used; and

9.2.2 the Director has supplied the Company with the information it needs in order to be able to use that other means of communication.

9.3 Nothing in articles 9.1 or 9.2 restricts the serving of a notice or document to any other address to which any provision of the Companies Acts authorises such notice or document to be sent or supplied.

## 10. DIRECTORS

10.1 Unless otherwise determined by ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall not be less than one and there shall be no maximum number. If and so long as there is a sole Director, he may act alone in exercising all the powers and authorities vested in the Directors.

10.2 The Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.

10.3 The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these articles as the maximum number of Directors (if any).

10.4 Regulation 81 of Table A is modified by adding at the end the following:

“; or (f) he is removed from office by notice in writing signed by all his co-Directors and served upon him.”

The office of Director shall be vacated if the Director, in the reasonable opinion of his co-Directors, he becomes incapable by reason of mental disorder of discharging his duties as a Director and regulation 81 of Table A shall be construed accordingly

10.5 If any Director necessarily performs or renders any special duties or services to the Company outside his ordinary duties as a Director the Directors may, if so authorised by an ordinary resolution of the Company, pay such Director special remuneration for such special duties or services and such special remuneration may be by way of salary, commission, participation in profits or otherwise as may be arranged.

10.6 A person appointed as an alternate Director who is not a Director shall not require to be approved by resolution of the Directors and regulation 65 of Table A shall be construed accordingly.

10.7 Any Director (including an alternate Director) or member of a committee of Directors may participate in a meeting of the Directors or of such committee by means of video-conferencing, conference telephone or similar communications equipment whereby all persons participating in the meeting can hear and speak to each other, and participation in a meeting in this manner shall be deemed to constitute the presence of such Director (or alternate Director) or such member at such meeting.

## 11. **DIRECTORS' INTERESTS**

11.1 For the purposes of Section 175 of the 2006 Act (**S.175**) the Directors shall have the power to authorise any matter proposed to them in accordance with these articles which would, if not so authorised, involve a breach of the duty of a Director under S.175 to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

11.2 Any authorisation under this article 11 will be effective only if:

11.2.1 the matter in question has been proposed for consideration at a meeting of the Directors, in accordance with the Board's normal procedures or in such other manner as the Directors may approve;

11.2.2 any requirement as to the quorum at a meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and

11.2.3 the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

11.3 Any authorisation of a matter pursuant to this article 11 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

11.4 Any authorisation of a matter under this article 11 may be given on such terms and subject to such conditions and/or limitations as the Directors may determine, whether at the time of giving the authorisation or subsequently. A Director shall comply with any obligations imposed upon him or undertakings given by him pursuant to such authorisation. The provisions of this article 11.4 apply in relation to any modification

of the conditions or limitations on or subject to which an authorisation is given as they apply in relation to the giving of the authorisation.

- 11.5 A Director is not, except as otherwise agreed by him, accountable to the Company for any profit, remuneration or other benefit which he (or a person connected with him) derives from any matter authorised by the Directors in accordance with this article 11 and any contract, transaction or arrangement relating to such matter shall not be liable to be avoided on the grounds of any such profit, remuneration or benefit.
- 11.6 The authorisation under this article 11 may be terminated by the Directors at any time.
- 11.7 Where the Directors have authorised a matter pursuant to this article 11 in circumstances where the conflict of interest or possible conflict of interest arises out of the Director's relationship with another company or person, the Director may for so long as he believes, acting reasonably, that such conflict of interest or possible conflict of interest subsists:
- 11.7.1 withhold from the other Directors and the Company information which he obtains or has obtained as a result of that relationship and otherwise than as a Director and in respect of which he has a duty of confidentiality to another person (**Conflicted Confidential Information**);
  - 11.7.2 refrain from using Conflicted Confidential Information in performing his duties as a Director;
  - 11.7.3 be absent from meetings of the Directors at which any matter relating or giving rise to the conflict of interest or possible conflict of interest may be discussed, or leave such meetings or refrain from participation in the discussion if this subject matter is raised; and/or
  - 11.7.4 request that all information to be supplied by the Company to the Directors related to such conflict or any matter giving rise to it be withheld from him or re-directed to his agent or professional adviser.
- 11.8 The Directors may require a Director to comply with any or all of the provisions of article 11.7 in the circumstances described in that article as they think appropriate and a Director shall comply when required to do so.

## 12. THE SEAL

- 12.1 If the Company has a seal it shall only be used with the authority of the Directors or of a committee of Directors. The Directors may decide by what means and in what form any seal is to be used.
- 12.2 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be subscribed by two Directors or one Director and the Company secretary or by two authorised persons.
- 12.3 If the Company has an official seal for use abroad, it may only be affixed to a document if its use on that document or documents of a class to which it belongs, has been authorised by the Directors.
- 12.4 For the purposes of this article 12, an **authorised person** is any person authorised by the Directors for the purpose of signing documents to which the seal is applied.

## 13. INDEMNITY

- 13.1 Subject to the provisions of the 2006 Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against:

13.1.1 any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company; or

13.1.2 any other liability incurred by him in relation to the Company or its affairs,

provided that this article 13.1 shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this article 13.1, or any element of it, to be treated as void under the Companies Acts.

- 13.2 In article 13.1 **liability** includes costs, charges, losses and expenses.

## 14. INSURANCE

- 14.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.
- 14.2 In this article 14:

- 14.2.1 a **relevant officer** means any Director or former director of the Company, or of an associated company, any other officer or employee or former officer or employee of the company or of an associated company (other than the auditors);
- 14.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any occupational pension scheme or employees' share scheme of the company or of an associated company; and
- 14.2.3 **associated company** is to be read in accordance with section 256 of the 2006 Act.

## 15. PARENT COMPANY RIGHTS

- 15.1 Whenever a company wheresoever incorporated (the **Parent Company**) shall be the holder of not less than 90% in nominal value of the issued Shares, the following provisions shall apply and, to the extent that these provisions are inconsistent with any other provision of these articles, the following provisions shall prevail:
- 15.1.1 the Parent Company may at any time and from time to time appoint any person to be a Director or remove from office any Director (whether or not initially appointed by the Parent Company). If such person has been appointed to an executive office which will automatically cease when he is removed by the Parent Company such removal shall be treated as an act of the Company and shall take effect without prejudice to any claim for damages in respect of the consequent termination of his executive office;
- 15.1.2 no unissued Shares or other securities shall be issued or agreed to be issued or put under option without the prior consent of the Parent Company; and
- 15.1.3 any or all powers of the Directors shall be restricted in such respects and to such extent as the Parent Company may by notice to the Company at any time and from time to time in its absolute discretion prescribe and such restriction may be removed or varied in such regard and to such extent as the Parent Company may by notice to the Company at any time and from time to time in its absolute discretion prescribe.

- 15.2 Any appointment, removal, consent or notice made or given under article 15.1 shall be in writing, served on the Company and signed on behalf of the Parent Company by any two of its directors or by any one of its directors and its company secretary or any other person duly authorised for the purpose. No person dealing with the Company shall be concerned to see or enquire as to whether the powers of the Directors have been in any way restricted under these articles or as to whether any requisite consent of the Parent Company has been obtained. No obligation incurred or security given or transaction effected by the Company to or with any third party shall be invalid or ineffectual unless the third party had, at the time, express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction exceeded the powers of the Directors.

**THE COMPANIES ACT 1985**

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**COMPANY LIMITED BY SHARES**

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**MEMORANDUM OF ASSOCIATION**

**of**

**SOUTHERN ELECTRIC POWER DISTRIBUTION PLC**

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- I. The name of the Company is "Southern Electric Power Distribution plc".
- II. The Company is to be a public company.
- III. The Registered Office of the Company will be situate in England and Wales.
- IV. The objects for which the Company is established are:-
  - (1) To carry on business as a general commercial company.
  - (2) Without prejudice to Clause IV(1) above, to perform or do all or any of the following operations, acts or things:-
    - (a) to borrow and raise money with or without security and, for the purposes of or in connection with the borrowing or raising of money by the Company, to become a member of any building society and to accept money on deposit and to secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit by the Company or its Directors and, in particular, by the granting or creating or the permitting to subsist of any mortgage or charge or assignment, legal or equitable, or other conveyance or mortgage or pledge of or charge over or any set-off against or lien or hypothecation upon the undertaking of the Company and all or any of its immoveable and moveable, real and personal property and assets (present and future), or by the granting or creating or the permitting to subsist of any mortgage, pledge or charge over all or any of the uncalled capital for the time being of the Company or by the creation and issue, at par or at a premium or discount and for such consideration and with and subject to such

rights, powers, privileges and conditions as may be thought fit, of bonds, debentures, debenture stock, perpetual, redeemable or repayable or otherwise or of other obligations or securities of the Company of any description;

- (b) to enter into any guarantee, contract of indemnity or suretyship and in particular, (without prejudice to the generality of the foregoing) whether with or without the Company receiving any consideration, to guarantee or to grant any indemnity in respect of or to secure (with or without a personal covenant and with or without mortgage or charge or assignment, legal or equitable, or other conveyance or mortgage or pledge of or charge over or set-off against or lien upon all or any part of the undertaking and assets, present and future, and the uncalled capital of the Company) the performance of any obligation, contract or liability or loss or cost or expense or the payment of any debt or sum including the principal amount thereof or any dividend, interest or premium on any stock, debenture, debenture stock, bond, share or other security of any person, firm or company including (without prejudice to the generality of the foregoing) any company which is for the time being a holding company of the Company or in which the Company or such holding company or any of the predecessors of the Company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company or of any subsidiary undertaking of the Company or of such other company;
- (c) to lend and advance money, to place money on current account or deposit and to grant or provide credit and financial accommodation to any person, firm or company, including, without limitation, any clients of or other persons having dealings with the Company, or to agents acting for or representing the Company on such terms as may be thought fit and with or without security and to buy and sell foreign currency and to carry on the business of a banking, finance or insurance company;
- (d) to accept, draw, issue, make, create, execute, discount, endorse, negotiate, and to buy, sell and deal in bank drafts, bills of exchange, promissory notes, debentures, bills of lading and other instruments and securities, whether negotiable, transferable or otherwise;

- (e) to enter into any partnership or any joint venture or any joint-purse arrangement or any profit-sharing arrangement and to co-operate or participate in any way with, and to assist or subsidise, any company, firm or person;
- (f) to establish, promote, organise, incorporate, reorganise, finance and to aid and assist, financially or otherwise, companies, corporations, syndicates, partnerships and associations of all kinds;
- (g) to carry on the business of a holding company and to establish or promote any company or companies for the purpose of taking over, acquiring or working any of the property, rights and liabilities of the Company, or for the purpose of carrying on any business which the Company is authorised to carry on, or for any other purpose which may seem to the Company or its Directors directly or indirectly calculated to benefit or to advance the objects or interests of the Company or the interests of its members, with power to assist such company or companies in every way, but especially by taking shares, stocks and securities thereof, providing capital and paying preliminary expenses;
- (h) to pay all the expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company, and any other company promoted by the Company or any company in which the Company is or may contemplate being interested including in such expenses all or any part of the costs and expenses of owners of any business or property acquired by the Company; and to procure the registration, recognition or incorporation of the Company in or under the laws of any place outside England and Wales;
- (i) to issue and allot, credited as paid up in full or in part or otherwise, shares, debentures or other securities of the Company for cash in payment or part payment for any immovable or moveable, real or personal property purchased or otherwise acquired by the Company or for any services rendered to the Company or in satisfaction of any obligation or liability

undertaken or agreed to be undertaken by the Company or for any other purpose;

- (j) to give or pay any remuneration, brokerage, discount or other compensation or reward or expenses for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any shares or debentures or other securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund or trust promoters or managers, and of underwriters or dealers in securities and to act as trustees of any kind for any person, firm or company and to undertake and execute any trust;
  
- (k) to sell, exchange, transfer, let on rent, share of profit, royalty or otherwise, grant licences, easements, options and other rights over and in any other manner deal with, turn to account, or dispose of all or any part of the undertaking, property and assets (present and future) of the Company whether immovable or moveable, real or personal, either together or in portions, for any such consideration as may be thought fit by the Company or its Directors and in particular (without prejudice to the generality of the foregoing) for any shares, stock, debentures, debenture stock or other securities, whether fully or partly paid up, of any other company or partly in more than one of or in all of such modes of payment and to hold, retain, sell, dispose of, charge, mortgage and deal with any shares, stock, debentures, debenture stock or other securities received;
  
- (l) to establish, maintain, participate in and contribute to or to procure the establishment and maintenance of, participation in and contribution to, any pension, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of any persons (including Directors, former Directors, officers and former officers) who are or shall have been at any time in the employment or service of the Company or of any company which at the time is or was a subsidiary or a

holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or of the predecessors of the Company in business or of any such other company as aforesaid or of the relations, wives, widows, families, connections or dependants of any such persons and for the benefit of any other persons whose service or services have directly or indirectly been of benefit to the Company and for the benefit of their relations, connections or dependants or any of them and to grant or procure the grant of donations, gratuities, pensions, allowances, including allowances on death, or other payments or benefits of any kind to any of such persons as aforesaid; and to establish, subsidise, subscribe to or support institutions, associations, clubs, schools, funds or trusts calculated or considered to be for the benefit of any of such persons as aforesaid or otherwise to advance the interest and well-being of the Company or of any such other company as aforesaid or its members; and to make payments for or towards the insurance of any such persons as aforesaid;

- (m) (subject to the provisions of Sections 151 to 158 of the Companies Act 1985) to establish and contribute to any employee share scheme (within the meaning of Section 743 of the Companies Act 1985) for the purchase or subscription by trustees of shares of the Company or of a holding company of the Company and to lend money to the Company's employees to enable them to purchase or subscribe for shares of the Company or of a holding company of the Company; to establish and maintain any option or incentive scheme whereby selected employees (including salaried Directors and officers) of the Company are given the opportunity of acquiring shares in the capital of the Company; to formulate and carry into effect any scheme for sharing the profits of the Company with its employees (including salaried Directors and officers) or any of them; and to form or subscribe to any association, institution or fund for the protection of the interests of owners or employers by insurance against loss caused by bad debts, strikes, fire, accidents, war risks or otherwise;
- (n) to pay, subscribe or guarantee money to or for any purpose which the Company or its Directors consider may be likely, directly or indirectly, to

further the interests of the Company or of its members or for any charitable, benevolent, national, educational, social, public, general or useful object or for any exhibition;

- (o) to cease carrying on or to wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory;
- (p) to distribute among the members of the Company in specie or otherwise, by way of dividend or bonus or by way of reduction of capital, all or any property or assets of the Company or any proceeds of sale or disposal thereof, and in particular shares, debentures or other securities of other companies belonging to the Company, or of which the Company may have the power to dispose, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;
- (q) to purchase and maintain insurance for or for the benefit of any persons who are or were at any time 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 or any of the predecessors of the Company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any such other 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 execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability;

- (r) to do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, nominees, trustees or otherwise and either by or through agents, contractors, nominees, trustees, subsidiary companies or otherwise and either alone or in conjunction with others;
- (s) to do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them;

And it is hereby declared that, for the purposes of this clause, (A) "company" except where used in reference to the Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether domiciled or resident in the United Kingdom or elsewhere, (B) "person" shall include any person acting in any capacity whatsoever and any company, corporation, association, syndicate or society as well as any other legal or natural person, (C) "subsidiary", "subsidiary undertaking" and "holding company" shall be construed in accordance with Section 736 of the Companies Act 1985, (D) "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, (E) "and" and "or" shall mean "and/or" where the context so permits, (F) "other" and "otherwise" shall not be construed eiusdem generis where a wider construction is possible and (G) reference to any Act of Parliament shall be deemed to include any statutory amendment, modification or re-enactment thereof.

- V. The liability of the members is limited.
- VI. The share capital of the Company is £50,000 divided into 50,000 shares of £1 each, with power to increase the capital and the Company shall have power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

I, the person whose name and address are subscribed, am desirous of being formed into a Company, in pursuance of this Memorandum of Association, and I agree to take the number of shares in the capital of the Company set opposite my name:-

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Name, Address and Description of Subscriber	Number of Shares taken By Subscriber
Jacqueline Hepburn 4th Floor Saltire Court 20 Castle Terrace Edinburgh EH1 2EN Chartered Secretary	One
Total Shares Taken	One

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Dated the 4<sup>th</sup> day of October 2000.

WITNESS to the above Signature:-

Claire Anne Baxter  
4th Floor  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN  
Legal Secretary

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THE COMPANIES ACTS 1985 AND 2006

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COMPANY LIMITED BY SHARES

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ARTICLES OF ASSOCIATION

of

SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC

Company Number SC213460

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1. **CONSTITUTION AND DEFINITIONS**

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## 2. **SHARE CAPITAL AND ALLOTMENT OF SHARES**

- 2.1 The authorised share capital of the Company is £62,001,000 divided into 62,001,000 ordinary shares of £1 each.
- 2.2 No Shares, nor any right to subscribe for or convert any security into any Shares shall at any time be allotted or granted unless every shareholder has consented in writing to such allotment or right to subscribe for or convert and to its terms and to the identity of the proposed allottee or beneficiary.
- 2.3 In accordance with section 91 of the 1985 Act, Sections 89 (1) and 90 (1) to (6) inclusive of the 1985 Act shall not apply to the Company to an allotment of any shares where the consent to that allotment of every shareholder has been obtained as required by these articles and that allotment otherwise conforms to the requirements of these articles.
- 2.4 The Directors are authorised to exercise all powers of the Company to allot relevant securities, but only if the allotment otherwise conforms to the requirements of these articles. The maximum nominal amount of relevant securities which may be allotted under this authority shall be the nominal amount of the unissued share capital of the Company at the date of adoption of these articles.
- 2.5 The authority conferred on the Directors under article 2.4 shall remain in force for a period of five years from the date of adoption of these articles.

## 3. **SHARE CERTIFICATES**

Regulation 6 of Table A is modified by adding after the words "Every certificate shall be sealed with the seal" where those words appear at the beginning of the second sentence of such regulation the following:

"or otherwise subscribed or executed by the Company in accordance with the provisions of the Companies Act 2006".

#### 4. **LIEN**

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 one or more of them or his estate or their estates to the Company" shall be inserted after the words "in respect of that share".

#### 5. **FORFEITURE OF SHARES**

Regulation 18 of Table A is modified by adding at the end of the first sentence of such regulation the following:

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

#### 6. **TRANSFER OF SHARES**

- 6.1 No shareholder shall sell, transfer, assign, pledge, charge or otherwise dispose of any Shares except in accordance with the provisions of this article 6.
- 6.2 A Parent Company may at any time sell, transfer, assign or otherwise dispose of its Shares or interest in any Shares to a 100% subsidiary of such Parent Company or a 100% subsidiary of SSE.
- 6.3 Any Shares or any interest in any Shares may be transferred, assigned, charged or otherwise disposed of to any person with the written consent of all shareholders for the time being.
- 6.4 The Directors may, in their absolute discretion and without assigning any reason, decline to register any transfer of any Share, whether or not it is a fully paid Share.

#### 7. **GENERAL MEETINGS**

- 7.1 No business shall be transacted at a general meeting unless a quorum is present. If and for so long as the Company has only one member the quorum for a general meeting is one. Regulation 40 of Table A shall be modified accordingly.
- 7.2 Directors may attend and speak at general meetings, whether or not they are shareholders.

7.3 A written resolution to be given by a corporation which is a member of the Company may be signed, on its behalf, by a director or secretary of that corporation or by the attorney or authorised representative of that corporation. Regulation 53 of Table A shall be extended accordingly.

7.4 A poll may be demanded at any general meeting by the chairman or by any member present in person or by proxy or, in the case of a corporation, by a duly authorised representative, and entitled to vote at the meeting. Regulation 46 of Table A shall be construed accordingly.

## 8. MEANS OF COMMUNICATION

8.1 Subject to the articles, anything sent or supplied by or to the Company under the articles may be sent or supplied in any way in which the 2006 Act provides for documents or information which are authorised or required by any provision of the 2006 Act to be sent or supplied by or to the Company.

8.2 Subject to the articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

8.3 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

## 9. ADDRESSES AND OTHER CONTACT DETAILS

9.1 Anything to be sent to a shareholder under the articles may be sent to that shareholder's address as registered in the register of members, unless:

9.1.1 the shareholder and the Company have agreed that another means of communication is to be used; and

9.1.2 the shareholder has supplied the Company with the information it needs in order to be able to use that other means of communication.

9.2 Any notice or document sent to a Director may be sent to that Director's address as registered in the register of directors, unless:

- 9.2.1 the Director and the Company have agreed that another means of communication is to be used; and
- 9.2.2 the Director has supplied the Company with the information it needs in order to be able to use that other means of communication.
- 9.3 Nothing in articles 9.1 or 9.2 restricts the serving of a notice or document to any other address to which any provision of the Companies Acts authorises such notice or document to be sent or supplied.

## 10. **DIRECTORS**

- 10.1 Unless otherwise determined by ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall not be less than one and there shall be no maximum number. If and so long as there is a sole Director, he may act alone in exercising all the powers and authorities vested in the Directors.
- 10.2 The Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.
- 10.3 The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these articles as the maximum number of Directors (if any).
- 10.4 Regulation 81 of Table A is modified by adding at the end the following:

“; or (f) he is removed from office by notice in writing signed by all his co-Directors and served upon him.”

The office of Director shall be vacated if the Director, in the reasonable opinion of his co-Directors, he becomes incapable by reason of mental disorder of discharging his duties as a Director and regulation 81 of Table A shall be construed accordingly

- 10.5 If any Director necessarily performs or renders any special duties or services to the Company outside his ordinary duties as a Director the Directors may, if so authorised by an ordinary resolution of the Company, pay such Director special remuneration for such special duties or services and such special remuneration may be by way of salary, commission, participation in profits or otherwise as may be arranged.

- 10.6 A person appointed as an alternate Director who is not a Director shall not require to be approved by resolution of the Directors and regulation 65 of Table A shall be construed accordingly.
- 10.7 Any Director (including an alternate Director) or member of a committee of Directors may participate in a meeting of the Directors or of such committee by means of video-conferencing, conference telephone or similar communications equipment whereby all persons participating in the meeting can hear and speak to each other, and participation in a meeting in this manner shall be deemed to constitute the presence of such Director (or alternate Director) or such member at such meeting.

## 11. DIRECTORS' INTERESTS

- 11.1 For the purposes of Section 175 of the 2006 Act (**S.175**) the Directors shall have the power to authorise any matter proposed to them in accordance with these articles which would, if not so authorised, involve a breach of the duty of a Director under S.175 to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.
- 11.2 Any authorisation under this article 11 will be effective only if:
- 11.2.1 the matter in question has been proposed for consideration at a meeting of the Directors, in accordance with the Board's normal procedures or in such other manner as the Directors may approve;
  - 11.2.2 any requirement as to the quorum at a meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
  - 11.2.3 the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.
- 11.3 Any authorisation of a matter pursuant to this article 11 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
- 11.4 Any authorisation of a matter under this article 11 may be given on such terms and subject to such conditions and/or limitations as the Directors may determine, whether at the time of giving the authorisation or subsequently. A Director shall comply with any obligations imposed upon him or undertakings given by him pursuant to such authorisation. The provisions of this article 11.4 apply in relation to any modification

of the conditions or limitations on or subject to which an authorisation is given as they apply in relation to the giving of the authorisation.

- 11.5 A Director is not, except as otherwise agreed by him, accountable to the Company for any profit, remuneration or other benefit which he (or a person connected with him) derives from any matter authorised by the Directors in accordance with this article 11 and any contract, transaction or arrangement relating to such matter shall not be liable to be avoided on the grounds of any such profit, remuneration or benefit.
- 11.6 The authorisation under this article 11 may be terminated by the Directors at any time.
- 11.7 Where the Directors have authorised a matter pursuant to this article 11 in circumstances where the conflict of interest or possible conflict of interest arises out of the Director's relationship with another company or person, the Director may for so long as he believes, acting reasonably, that such conflict of interest or possible conflict of interest subsists:
- 11.7.1 withhold from the other Directors and the Company information which he obtains or has obtained as a result of that relationship and otherwise than as a Director and in respect of which he has a duty of confidentiality to another person (**Conflicted Confidential Information**);
  - 11.7.2 refrain from using Conflicted Confidential Information in performing his duties as a Director;
  - 11.7.3 be absent from meetings of the Directors at which any matter relating or giving rise to the conflict of interest or possible conflict of interest may be discussed, or leave such meetings or refrain from participation in the discussion if this subject matter is raised; and/or
  - 11.7.4 request that all information to be supplied by the Company to the Directors related to such conflict or any matter giving rise to it be withheld from him or re-directed to his agent or professional adviser.
- 11.8 The Directors may require a Director to comply with any or all of the provisions of article 11.7 in the circumstances described in that article as they think appropriate and a Director shall comply when required to do so.

## 12. THE SEAL

- 12.1 If the Company has a seal it shall only be used with the authority of the Directors or of a committee of Directors. The Directors may decide by what means and in what form any seal is to be used.
- 12.2 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be subscribed by two Directors or one Director and the Company secretary or by two authorised persons.
- 12.3 If the Company has an official seal for use abroad, it may only be affixed to a document if its use on that document or documents of a class to which it belongs, has been authorised by the Directors.
- 12.4 For the purposes of this article 12, an **authorised person** is any person authorised by the Directors for the purpose of signing documents to which the seal is applied.

## 13. INDEMNITY

- 13.1 Subject to the provisions of the 2006 Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against:

13.1.1 any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company; or

13.1.2 any other liability incurred by him in relation to the Company or its affairs,

provided that this article 13.1 shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this article 13.1, or any element of it, to be treated as void under the Companies Acts.

- 13.2 In article 13.1 **liability** includes costs, charges, losses and expenses.

## 14. INSURANCE

- 14.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.
- 14.2 In this article 14:

- 14.2.1 a **relevant officer** means any Director or former director of the Company, or of an associated company, any other officer or employee or former officer or employee of the company or of an associated company (other than the auditors);
- 14.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any occupational pension scheme or employees' share scheme of the company or of an associated company; and
- 14.2.3 **associated company** is to be read in accordance with section 256 of the 2006 Act.

## 15. PARENT COMPANY RIGHTS

- 15.1 Whenever a company wheresoever incorporated (the **Parent Company**) shall be the holder of not less than 90% in nominal value of the issued Shares, the following provisions shall apply and, to the extent that these provisions are inconsistent with any other provision of these articles, the following provisions shall prevail:
- 15.1.1 the Parent Company may at any time and from time to time appoint any person to be a Director or remove from office any Director (whether or not initially appointed by the Parent Company). If such person has been appointed to an executive office which will automatically cease when he is removed by the Parent Company such removal shall be treated as an act of the Company and shall take effect without prejudice to any claim for damages in respect of the consequent termination of his executive office;
- 15.1.2 no unissued Shares or other securities shall be issued or agreed to be issued or put under option without the prior consent of the Parent Company; and
- 15.1.3 any or all powers of the Directors shall be restricted in such respects and to such extent as the Parent Company may by notice to the Company at any time and from time to time in its absolute discretion prescribe and such restriction may be removed or varied in such regard and to such extent as the Parent Company may by notice to the Company at any time and from time to time in its absolute discretion prescribe.

- 15.2 Any appointment, removal, consent or notice made or given under article 15.1 shall be in writing, served on the Company and signed on behalf of the Parent Company by any two of its directors or by any one of its directors and its company secretary or any other person duly authorised for the purpose. No person dealing with the Company shall be concerned to see or enquire as to whether the powers of the Directors have been in any way restricted under these articles or as to whether any requisite consent of the Parent Company has been obtained. No obligation incurred or security given or transaction effected by the Company to or with any third party shall be invalid or ineffectual unless the third party had, at the time, express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction exceeded the powers of the Directors.

**THE COMPANIES ACT 1985**

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**COMPANY LIMITED BY SHARES**

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**MEMORANDUM OF ASSOCIATION**

of

**SCOTTISH HYDRO-ELECTRIC POWER DISTRIBUTION PLC**

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- I. The name of the Company is "Scottish Hydro-Electric Power Distribution plc".
- II(1) The Company is to be a public company.
- II. The Registered Office of the Company will be situate in Scotland.
- III. The objects for which the Company is established are:-
  - (1) To carry on business as a general commercial company.
  - (2) Without prejudice to Clause III(1) above, to perform or do all or any of the following operations, acts or things:-
    - (a) to borrow and raise money with or without security and, for the purposes of or in connection with the borrowing or raising of money by the Company, to become a member of any building society and to accept money on deposit and to secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit by the Company or its Directors and, in particular, by the granting or creating or the permitting to subsist of any heritable securities or other fixed securities or assignments in security or assignments or other conveyances or mortgages or pledges of or charges over or any set-off against or lien or hypothec upon the undertaking of the Company and all or any of its heritable and moveable, real and personal property, (present and future) or by the granting or creating or the permitting to subsist of any mortgage, pledge or charge over all or any of the uncalled capital for the time

being of the Company or by the creation and issue, at par or at a premium or discount and for such consideration and with and subject to such rights, powers, privileges and conditions as may be thought fit, of bonds, debentures, debenture stock, perpetual, redeemable or repayable or otherwise or of other obligations or securities of the Company of any description;

- (b) to enter into any guarantee, contract of indemnity or suretyship and in particular, (without prejudice to the generality of the foregoing) whether with or without the Company receiving any consideration, to guarantee or to grant any indemnity in respect of or to secure (with or without a personal covenant and with or without a heritable security or other fixed security or assignation in security or assignation or other conveyance or mortgage or pledge of or charge over or set-off against or lien upon all or any part of the undertaking and assets, present and future, and the uncalled capital of the Company) the performance of any obligation, contract or liability or loss or cost or expense or the payment of any debt or sum including the principal amount thereof or any dividend, interest or premium on any stock, debenture, debenture stock, bond, share or other security of any person, firm or company including (without prejudice to the generality of the foregoing) any company which is for the time being a holding company of the Company or in which the Company or such holding company or any of the predecessors of the Company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company or of any subsidiary undertaking of the Company or of such other company;
  
- (c) to lend and advance money, to place money on current account or deposit and to grant or provide credit and financial accommodation to any person, firm or company, including without limitation, any clients of or other persons having dealings with the Company, or to agents acting for or representing the Company on such terms as may be thought fit and with or without security and to buy and sell foreign currency and to carry on the business of a banking, finance or insurance company;

- (d) to accept, draw, issue, make, create, execute, discount, endorse, negotiate, and to buy, sell and deal in bank drafts, bills of exchange, promissory notes, debentures, bills of lading and other instruments and securities, whether negotiable, transferable or otherwise;
- (e) to enter into any partnership or any joint venture or any joint-purse arrangement or any profit-sharing arrangement and to co-operate or participate in any way with, and to assist or subsidise, any company, firm or person;
- (f) to establish, promote, organise, incorporate, reorganise, finance and to aid and assist, financially or otherwise, companies, corporations, syndicates, partnerships and associations of all kinds;
- (g) to carry on the business of a holding company and to establish or promote any company or companies for the purpose of taking over, acquiring or working any of the property, rights and liabilities of the Company, or for the purpose of carrying on any business which the Company is authorised to carry on, or for any other purpose which may seem to the Company or its Directors directly or indirectly calculated to benefit or to advance the objects or interests of the Company or the interests of its members, with power to assist such company or companies in every way, but especially by taking shares, stocks and securities thereof, providing capital and paying preliminary expenses;
- (h) to pay all the expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company, and any other company promoted by the Company or any company in which the Company is or may contemplate being interested including in such expenses all or any part of the costs and expenses of owners of any business or property acquired by the Company; and to procure the registration, recognition or incorporation of the Company in or under the laws of any place outside Scotland;

- (i) to issue and allot, credited as paid up in full or in part or otherwise, shares, debentures or other securities of the Company for cash in payment or part payment for any heritable or moveable, real or personal property purchased or otherwise acquired by the Company or for any services rendered to the Company or in satisfaction of any obligation or liability undertaken or agreed to be undertaken by the Company or for any other purpose;
- (j) to give or pay any remuneration, brokerage, discount or other compensation or reward or expenses for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any shares or debentures or other securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund or trust promoters or managers, and of underwriters or dealers in securities and to act as trustees of any kind for any person, firm or company and to undertake and execute any trust;
- (k) to sell, exchange, transfer, let or rent, share of profit, royalty or otherwise, grant licences, servitudes, easements, options and other rights over and in any other manner deal with, turn to account, or dispose of all or any part of the undertaking, property and assets (present and future) of the Company whether heritable or moveable, real or personal, either together or in portions, for any such consideration as may be thought fit by the Company or its Directors and in particular (without prejudice to the generality of the foregoing) for any shares, stock, debentures, debenture stock or other securities, whether fully or partly paid up, of any other company or partly in more than one of or in all of such modes of payment and to hold, retain, sell, dispose of, charge, mortgage and deal with any shares, stock, debentures, debenture stock or other securities received;

- (l) to establish, maintain, participate in and contribute to or to procure the establishment and maintenance of, participation in and contribution to, any pension, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of any persons (including Directors, former Directors, officers and former officers) who are or shall have been at any time in the employment or service of the Company or of any company which at the time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or of the predecessors of the Company in business or of any such other company as aforesaid or of the relations, wives, widows, families, connections or dependants of any such persons and for the benefit of any other persons whose service or services have directly or indirectly been of benefit to the Company and for the benefit of their relations, connections or dependants or any of them and to grant or procure the grant of donations, gratuities, pensions, allowances, including allowances on death, or other payments or benefits of any kind to any of such persons as aforesaid; and to establish, subsidise, subscribe to or support institutions, associations, clubs, schools, funds or trusts calculated or considered to be for the benefit of any of such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or its members; and to make payments for or towards the insurance of any such persons as aforesaid;
- (m) (subject to the provisions of Sections 151 to 158 of the Companies Act 1985) to establish and contribute to any employee share scheme (within the meaning of Section 743 of the Companies Act 1985) for the purchase or subscription by trustees of shares of the Company or of a holding company of the Company and to lend money to the Company's employees to enable them to purchase or subscribe for shares of the Company or of a holding company of the Company; to establish and maintain any option or incentive scheme whereby selected employees (including salaried Directors and officers) of the Company are given the opportunity of acquiring shares in the capital

of the Company; to formulate and carry into effect any scheme for sharing the profits of the Company with its employees (including salaried Directors and officers) or any of them; and to form or subscribe to any association, institution or fund for the protection of the interests of owners or employers by insurance against loss caused by bad debts, strikes, fire, accidents, war risks or otherwise;

- (n) to pay, subscribe or guarantee money to or for any purpose which the Company or its Directors consider may be likely, directly or indirectly, to further the interests of the Company or of its members or for any charitable, benevolent, national, educational, social, public, general or useful object or for any exhibition;
- (o) to cease carrying on or to wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory;
- (p) to distribute among the members of the Company **in specie** or otherwise, by way of dividend or bonus or by way of reduction of capital, all or any property or assets of the Company or any proceeds of sale or disposal thereof, and in particular shares, debentures or other securities of other companies belonging to the Company, or of which the Company may have the power to dispose, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;
- (q) to purchase and maintain insurance for or for the benefit of any persons who are or were at any time 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 or any of the predecessors of the Company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any such other 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 execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability;

- (r) to do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, nominees, trustees or otherwise and either by or through agents, contractors, nominees, trustees, subsidiary companies or otherwise and either alone or in conjunction with others;
- (s) to do all such other things as in the opinion of the Company are or may be incidental or conducive to the attainment of the above objects or any of them;

And it is hereby declared that, for the purposes of this clause, (A) "company" except where used in reference to the Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether domiciled or resident in the United Kingdom or elsewhere, (B) "person" shall include any person acting in any capacity whatsoever and any company, corporation, association, syndicate or society as well as any other legal or natural person, (C) "subsidiary", "subsidiary undertaking" and "holding company" shall be construed in accordance with Section 736 of the Companies Act 1985, (D) "securities" shall include any fully, partly or nil paid share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, (E) "and" and "or" shall mean "and/or" where the context so permits, (F) "other" and "otherwise" shall not be construed **ejusdem generis** where a wider construction is possible and (G) reference to any Act of Parliament shall be deemed to include any statutory amendment, modification or re-enactment thereof.

IV. The liability of the members is limited.

- V. The share capital of the Company is £62,001,000 divided into 62,001,000 ordinary shares of £1 each.

THE COMPANIES ACT 2006

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

Of SCOTTISH HYDRO ELECTRIC TRANSMISSION PLC

REGISTERED NO SC213461

INCORPORATED IN SCOTLAND ON 4/12/2000

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## PART 1 - INTERPRETATION AND LIMITATION OF LIABILITY

### 1. DEFINED TERMS

1.1 In the articles, unless the context requires otherwise:

**appointor** has the meaning given in article 28;

**articles** means the company's articles of association;

**bankruptcy** includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

**call** has the meaning given in article 57;

**call notice** has the meaning given in article 17;

**certificate** means a paper certificate (other than a share warrant) evidencing a person's title to specified shares or other securities;

**certificated** in relation to a share, means that it is not an uncertificated share or a share in respect of which a share warrant has been issued and is current;

**chairman** has the meaning given in article 13;

**chairman of the meeting** has the meaning given in article 34;

**Companies Acts** means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

**company's lien** has the meaning given in article 55;

**director** means a director of the company, and includes any person occupying the position of director, by whatever name called;

**distribution recipient** has the meaning given in article 75;

**document** includes, unless otherwise specified, any document sent or supplied in electronic form;

**electronic form** has the meaning given in section 1168 of the Companies Act 2006;

**eligible director** means a director who would be entitled to vote on the matter at a meeting of directors (but excluding any director whose vote is not to be counted in respect of the particular matter); \*

**fully paid** in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

**hard copy form** has the meaning given in section 1168 of the Companies Act 2006;

**holder** in relation to shares means the person whose name is entered in the register of members as the holder of the shares, or, in the case of a share in respect of which a share warrant has been issued (and not cancelled), the person in possession of that warrant;

**instrument** means a document in hard copy form;

**lien enforcement notice** has the meaning given in article 56;

**member** has the meaning given in section 112 of the Companies Act 2006;

**ordinary resolution** has the meaning given in section 282 of the Companies Act 2006;

**paid** means paid or credited as paid;

**participate** in relation to a directors' meeting, has the meaning given in article 9;

**partly paid** in relation to a share means that part of that share's nominal value or any premium at which it was issued has not been paid to the company;

**proxy notice** has the meaning given in article 41;

**securities seal** has the meaning given in article 50;

**shares** means shares in the company;

**special resolution** has the meaning given in section 283 of the Companies Act 2006;

**subsidiary** has the meaning given in section 1159 of the Companies Act 2006;

**transmittee** means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law;

**uncertificated** in relation to a share means that, by virtue of legislation (other than section 778 of the Companies Act 2006) permitting title to shares to be evidenced and transferred without a certificate, title to that share is evidenced and may be transferred without a certificate; and

**writing** means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 1.2 Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.
- 1.3 The model articles for public companies limited by shares contained in Schedule 3 of The Companies (Model Articles) Regulations 2008 shall not apply to the company except in so far as they are repeated in these articles.

## 2. LIABILITY OF MEMBERS

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

**PART 2 - DIRECTORS**  
**DIRECTORS' POWERS AND RESPONSIBILITIES**

**3. DIRECTORS' GENERAL AUTHORITY**

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

**4. MEMBERS' RESERVE POWER**

- 4.1 The members may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 4.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

**5. DIRECTORS MAY DELEGATE**

- 5.1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:
- 5.1.1 to such person or committee;
  - 5.1.2 by such means (including by power of attorney);
  - 5.1.3 to such an extent;
  - 5.1.4 in relation to such matters or territories; and
  - 5.1.5 on such terms and conditions;
- as they think fit.
- 5.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
- 5.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

## **6. COMMITTEES**

- 6.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.
- 6.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

## **7. SECRETARY**

The directors may appoint any person to be the secretary for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them. A person ceases to be secretary as soon as notification is received by the company from the secretary that the secretary is resigning from office, and such resignation has taken effect in accordance with its terms.

## **DECISION-MAKING BY DIRECTORS**

### **8. DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

- 8.1 Decisions of the directors may be taken:
- 8.1.1 at a directors' meeting, or
  - 8.2.2 in the form of a directors' written resolution.

### **9. CALLING A DIRECTORS' MEETING**

- 9.1 Any director may call a directors' meeting.
- 9.2 The company secretary must call a directors' meeting if a director so requests.
- 9.3 A directors' meeting is called by giving notice of the meeting to the directors.
- 9.4 Notice of any directors' meeting must indicate:
- 9.4.1 its proposed date and time;
  - 9.4.2 where it is to take place; and
  - 9.4.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

- 9.5 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 9.6 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

## **10. PARTICIPATION IN DIRECTORS' MEETINGS**

- 10.1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:
- 10.1.1 the meeting has been called and takes place in accordance with the articles, and
  - 10.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 10.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 10.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

## **11. QUORUM FOR DIRECTORS' MEETINGS**

- 11.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 11.2 The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two.

## **12. MEETINGS WHERE TOTAL NUMBER OF DIRECTORS LESS THAN QUORUM**

- 12.1 This article applies where the total number of directors for the time being is less than the quorum for directors' meetings.
- 12.2 If there is only one director, that director may appoint sufficient directors to make up a quorum or call a general meeting to do so.
- 12.3 If there is more than one director:
- 12.3.1 a directors' meeting may take place, if it is called in accordance with the articles and at least two directors participate in it, with a view to appointing

sufficient directors to make up a quorum or calling a general meeting to do so,  
and

12.3.2 if a directors' meeting is called but only one director attends at the appointed date and time to participate in it, that director may appoint sufficient directors to make up a quorum or call a general meeting to do so.

12.4 For the purposes of any meeting (or part of a meeting) held pursuant to paragraph 17 to authorise a director's conflict, if there is only one eligible director in office other than the conflicted director(s), the quorum for such meeting (or part of a meeting) shall be one eligible director.

### **13. CHAIRING DIRECTORS' MEETINGS**

13.1 The directors may appoint a director to chair their meetings.

13.2 The person so appointed for the time being is known as the chairman.

13.3 The directors may appoint other directors as deputy or assistant chairmen to chair directors' meetings in the chairman's absence.

13.4 The directors may terminate the appointment of the chairman, deputy or assistant chairman at any time.

13.5 If neither the chairman nor any director appointed generally to chair directors' meetings in the chairman's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

### **14. VOTING AT DIRECTORS' MEETINGS: GENERAL RULES**

14.1 Subject to the articles, a decision is taken at a directors' meeting by a majority of the votes of the participating directors.

14.2 Subject to the articles, each director participating in a directors' meeting has one vote.

14.3 Subject to the articles, if a director has an interest in an actual or proposed transaction or arrangement with the company:

14.3.1 that director and that director's alternate may not vote on any proposal relating to it, but

14.3.2 this does not preclude the alternate from voting in relation to that transaction or arrangement on behalf of another appointor who does not have such an interest.

## **15. CHAIRMAN'S CASTING VOTE AT DIRECTORS' MEETINGS**

- 15.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.
- 15.2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

## **16. ALTERNATES VOTING AT DIRECTORS' MEETINGS**

A director who is also an alternate director has an additional vote on behalf of each appointor who is:

- 16.1 not participating in a directors' meeting, and
- 16.2 would have been entitled to vote if they were participating in it.

## **17. DIRECTORS' INTEREST IN TRANSACTIONS OR ARRANGEMENTS WITH THE COMPANY**

- 17.1 Subject to the Companies Acts, and provided he has complied with any provision of the Companies Acts requiring declaration of his interest to the other directors, a director may:
- 17.1.1 have any kind of interest in any existing or proposed transaction or arrangement with the company or in which the company is otherwise interested;
- 17.1.2 have any kind of interest in any existing or proposed transaction or arrangement with or involving another company in which the company is interested; and
- 17.1.3 alone (or through some firm with which he is associated) do paid professional work for the company (other than as auditor).
- 17.2 Unless otherwise agreed, a director is not accountable to the company for any benefit which he receives as a result of anything allowed under article 17.1.
- 17.3 If a directors' meeting, or part of a directors' meeting, is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in that meeting, or part of a meeting, for voting or quorum purposes.

- 17.4 But if article 17.5 below applies, a director who is interested in an actual or proposed transaction or arrangement with the company and that director's alternate:
- 17.4.1 is to be counted for quorum purposes as participating in a decision at a directors' meeting, or part of a directors' meeting, relating to it; and
  - 17.4.2 is entitled to vote on a proposal relating to it.
- 17.5 This article 17.5 applies when:
- 17.5.1 the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in, or voting at, a directors' meeting;
  - 17.5.2 the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
  - 17.5.3 the director's conflict of interest arises from a permitted cause.
- 17.6 For the purposes of this article 17, the following are permitted causes:
- 17.6.1 a guarantee, indemnity or security given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
  - 17.6.2 subscription, or an agreement to subscribe, for shares or other securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities;
  - 17.6.3 any contract in which the director is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company;
  - 17.6.4 any contract concerning any other company (not being a company in which the director owns one per cent or more) in which the director is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
  - 17.6.5 arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors as such; and
  - 17.6.6 any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors or for, or for the benefit of, persons who include directors.
- 17.7 For the purposes of article 17.6.4, a company is deemed to be one in which a director owns one per cent or more if and for so long as (but only if any for so long as) the director would be connected with that company for the purposes of section

254 of the Companies Act 2006 if, for the references in that section to "20%", there were substituted references to "1%".

17.8 References in articles 17.6.3, 17.6.4 and 17.6.6 to a contract include references to a proposed contract and to any transaction or arrangement whether or not constituting a contract.

17.9 If a question arises at a meeting of directors or of a committee as to the right of a director (other than the chairman) to vote or be counted in the quorum, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to the director concerned is to be final and conclusive. If any question shall arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting, or that part of the meeting, for voting or quorum purposes.

## **18. DIRECTORS' INTEREST: AUTHORISATION OF CONFLICT SITUATIONS BY DIRECTORS**

18.1 For the purposes of section 175 of the Companies Act 2006, the directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under that section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company.

18.2 Authorisation of a matter under this article 18 is effective only if:

18.2.1 the matter in question is proposed in writing for consideration at a directors' meeting, in accordance with the directors' normal procedures or in such other manner as the directors may approve;

18.2.2 the proposal is dealt with as an item of business at that directors' meeting in accordance with the directors' normal procedures (subject to articles 18.2.3 and 18.2.4);

18.2.3 any requirement as to the quorum at the directors' meeting, or the part of a directors' meeting, at which the matter is considered is met without counting the director in question and any other interested director (together the **interested directors**); and

18.2.4 the matter is agreed to without the interested directors voting, or the matter would have been agreed to if the votes of the interested directors had not been counted.

- 18.3 Any authorisation of a matter under this article 18 extends to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
- 18.4 Any authorisation of a matter under this article 18 may be given on or subject to such conditions or limitations as the directors decide, whether at the time such authorisation is given or subsequently. In particular, the directors may provide:
- 18.4.1 for the exclusion of some or all of the interested directors from the receipt of information, or participation in discussion (whether at directors' meetings or otherwise), relating to the matter authorised by the directors; or
- 18.4.2 with respect to an interested director who obtains information that is confidential to a third party, that he is not obliged to disclose that information to the company, or to use the information in relation to the company's affairs, where to do so would amount to a breach of that confidence.
- A director must comply with any obligations imposed on him by the directors in or pursuant to any authorisation.
- 18.5 A director is not, except as otherwise agreed by him, accountable to the company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under this article 18, and any contract, transaction or arrangement relating to such matter is not liable to be avoided on the grounds of any such benefit.
- 18.6 An authorisation under this article 18 may be terminated by the directors at any time.
- 18.7 The provisions of article 18.2 apply in relation to any modification of the conditions or limitations on or subject to which an authorisation is given as they apply in relation to the giving of the authorisation.
- 18.8 An authorisation must be recorded in writing, but failure to do so will not invalidate the authorisation.
- 18.9 The directors may not delegate the powers conferred on them under article 18.1.

## **19. PROPOSING DIRECTORS' WRITTEN RESOLUTIONS**

- 19.1 Any director may propose a directors' written resolution.
- 19.2 The company secretary must propose a directors' written resolution if a director so requests.
- 19.3 A directors' written resolution is proposed by giving notice of the proposed resolution to the directors.
- 19.4 Notice of a proposed directors' written resolution must indicate:

- 19.4.1 the proposed resolution, and
- 19.4.2 the time by which it is proposed that the directors should adopt it.
- 19.5 Notice of a proposed directors' written resolution must be given in writing to each director.
- 19.6 Any decision which a person giving notice of a proposed directors' written resolution takes regarding the process of adopting that resolution must be taken reasonably in good faith.

## **20. ADOPTION OF DIRECTORS' WRITTEN RESOLUTIONS**

- 20.1 A proposed directors' written resolution is adopted when all the directors who would have been entitled to vote on the resolution at a directors' meeting have signed one or more copies of it, provided that those directors would have formed a quorum at such a meeting.
- 20.2 It is immaterial whether any director signs the resolution before or after the time by which the notice proposed that it should be adopted.
- 20.3 Once a directors' written resolution has been adopted, it must be treated as if it had been a decision taken at a directors' meeting in accordance with the articles.
- 20.4 The company secretary must ensure that the company keeps a record, in writing, of all directors' written resolutions for at least ten years from the date of their adoption.

## **21. CHANGE OF NAME**

Subject to the articles, the name of the company may be changed by a decision taken by the directors.

## **22. RECORDS OF DECISIONS TO BE KEPT**

The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

## **23. DIRECTORS' DISCRETION TO MAKE FURTHER RULES**

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

## APPOINTMENT OF DIRECTORS

### 24. METHODS OF APPOINTING DIRECTORS

Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director:

- 24.1 by ordinary resolution, or
- 24.2 by a decision of the directors.

### 25. TERMINATION OF DIRECTOR'S APPOINTMENT

A person ceases to be a director as soon as:

- 25.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
- 25.2 a bankruptcy order is made against that person;
- 25.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 25.4 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 25.5 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- 25.6 notification is received by the company from the director that the director is resigning from office as director, and such resignation has taken effect in accordance with its terms.

### 26. DIRECTORS' REMUNERATION

- 26.1 Directors may undertake any services for the company that the directors decide.
- 26.2 Directors are entitled to such remuneration as the directors determine:
  - 26.2.1 for their services to the company as directors, and
  - 26.2.2 for any other service which they undertake for the company.
- 26.3 Subject to the articles, a director's remuneration may:
  - 26.3.1 take any form, and

- 26.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- 26.4 Unless the directors decide otherwise, directors' remuneration accrues from day to day.
- 26.5 Unless the directors decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

## **27. DIRECTORS' EXPENSES**

- 27.1 The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at:
  - 27.1.1 meetings of directors or committees of directors,
  - 27.1.2 general meetings, or
  - 27.1.3 separate meetings of the holders of any class of shares or of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

## **ALTERNATE DIRECTORS**

### **28. APPOINTMENT AND REMOVAL OF ALTERNATES**

- 28.1 Any director (the "appointor") may appoint as an alternate any other director, or any other person approved by resolution of the directors, to:
  - 28.1.1 exercise that director's powers, and
  - 28.1.2 carry out that director's responsibilities,
 in relation to the taking of decisions by the directors in the absence of the alternate's appointor.
- 28.2 Any appointment or removal of an alternate must be effected by notice in writing to the company signed by the appointor, or in any other manner approved by the directors.
- 28.3 The notice must:
  - 28.3.1 identify the proposed alternate, and

- 28.3.2 in the case of a notice of appointment, contain a statement signed by the proposed alternate that the proposed alternate is willing to act as the alternate of the director giving the notice.

## **29. RIGHTS AND RESPONSIBILITIES OF ALTERNATE DIRECTORS**

- 29.1 An alternate director has the same rights, in relation to any directors' meeting or directors' written resolution, as the alternate's appointor.
- 29.2 Except as the articles specify otherwise, alternate directors:
- 29.2.1 are deemed for all purposes to be directors;
  - 29.2.2 are liable for their own acts and omissions;
  - 29.2.3 are subject to the same restrictions as their appointors; and
  - 29.2.4 are not deemed to be agents of or for their appointors.
- 29.3 A person who is an alternate director but not a director:
- 29.3.1 may be counted as participating for the purposes of determining whether a quorum is participating (but only if that person's appointor is not participating), and
  - 29.3.2 may sign a written resolution (but only if it is not signed or to be signed by that person's appointor). No alternate may be counted as more than one director for such purposes.
- 29.4 An alternate director is not entitled to receive any remuneration from the company for serving as an alternate director except such part of the alternate's appointor's remuneration as the appointor may direct by notice in writing made to the company.

## **30. TERMINATION OF ALTERNATE DIRECTORSHIP**

An alternate director's appointment as an alternate terminates:

- 30.1 when the alternate's appointor revokes the appointment by notice to the company in writing specifying when it is to terminate;
- 30.2 on the occurrence in relation to the alternate of any event which, if it occurred in relation to the alternate's appointor, would result in the termination of the appointor's appointment as a director;
- 30.3 on the death of the alternate's appointor; or
- 30.4 when the alternate's appointor's appointment as a director terminates, except that an alternate's appointment as an alternate does not terminate when the appointor retires by rotation at a general meeting and is then re-appointed as a director at the same general meeting.

**PART 3 - DECISION-MAKING BY MEMBERS**  
**ORGANISATION OF GENERAL MEETINGS**

**31. MEMBERS CAN CALL GENERAL MEETING IF NOT ENOUGH DIRECTORS**

If:

- 31.1 the company has fewer than two directors, and
  - 31.2 the director (if any) is unable or unwilling to appoint sufficient directors to make up a quorum or to call a general meeting to do so,
- then two or more members may call a general meeting (or instruct the company secretary to do so) for the purpose of appointing one or more directors.

**32. ATTENDANCE AND SPEAKING AT GENERAL MEETINGS**

- 32.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 32.2 A person is able to exercise the right to vote at a general meeting when:
  - 32.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
  - 32.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 32.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 32.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 32.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

**33. QUORUM FOR GENERAL MEETINGS**

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

**34. CHAIRING GENERAL MEETINGS**

- 34.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- 34.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
  - 34.2.1 the directors present, or
  - 34.2.2 (if no directors are present), the meeting,must appoint a director or member to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.
- 34.3 The person chairing a meeting in accordance with this article is referred to as "the chairman of the meeting".

**35. ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-MEMBERS**

- 35.1 Directors may attend and speak at general meetings, whether or not they are members.
- 35.2 The chairman of the meeting may permit other persons who are not:
  - 35.2.1 members of the company, or
  - 35.2.2 otherwise entitled to exercise the rights of members in relation to general meetings,to attend and speak at a general meeting.

**36. ADJOURNMENT**

- 36.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.
- 36.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:
  - 36.2.1 the meeting consents to an adjournment, or
  - 36.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

- 36.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.
- 36.4 When adjourning a general meeting, the chairman of the meeting must:
- 36.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and
- 36.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 36.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- 36.5.1 to the same persons to whom notice of the company's general meetings is required to be given, and
- 36.5.2 containing the same information which such notice is required to contain.
- 36.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

## **VOTING AT GENERAL MEETINGS**

### **37. VOTING: GENERAL**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

### **38. ERRORS AND DISPUTES**

- 38.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 38.2 Any such objection must be referred to the chairman of the meeting whose decision is final.

### **39. DEMANDING A POLL**

- 39.1 A poll on a resolution may be demanded:
- 39.1.1 in advance of the general meeting where it is to be put to the vote, or

39.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

39.2 A poll may be demanded by:

39.2.1 the chairman of the meeting;

39.2.2 the directors;

39.2.3 two or more persons having the right to vote on the resolution; or

39.2.4 a person or persons representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution.

39.3 A demand for a poll may be withdrawn if:

39.3.1 the poll has not yet been taken, and

39.3.2 the chairman of the meeting consents to the withdrawal.

#### **40. PROCEDURE ON A POLL**

40.1 Subject to the articles, polls at general meetings must be taken when, where and in such manner as the chairman of the meeting directs.

40.2 The chairman of the meeting may appoint scrutineers (who need not be members) and decide how and when the result of the poll is to be declared.

40.3 The result of a poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.

40.4 A poll on:

40.4.1 the election of the chairman of the meeting, or

40.4.2 a question of adjournment,

must be taken immediately.

40.5 Other polls must be taken within 30 days of their being demanded.

40.6 A demand for a poll does not prevent a general meeting from continuing, except as regards the question on which the poll was demanded.

40.7 No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded.

40.8 In any other case, at least 7 days' notice must be given specifying the time and place at which the poll is to be taken.

#### **41. CONTENT OF PROXY NOTICES**

41.1 Proxies may only validly be appointed by a notice in writing (a "proxy notice") which:

41.1.1 states the name and address of the member appointing the proxy;

- 41.1.2 identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;
  - 41.1.3 is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and
  - 41.1.4 is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- 41.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
  - 41.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
  - 41.4 Unless a proxy notice indicates otherwise, it must be treated as—
    - 41.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
    - 41.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

## **42. DELIVERY OF PROXY NOTICES**

- 42.1 Any notice of a general meeting must specify the address or addresses ("proxy notification address") at which the company or its agents will receive proxy notices relating to that meeting, or any adjournment of it, delivered in hard copy or electronic form.
- 42.2 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 42.3 Subject to paragraphs (40.4) and (40.5), a proxy notice must be delivered to a proxy notification address not less than 48 hours before the general meeting or adjourned meeting to which it relates.
- 42.4 In the case of a poll taken more than 48 hours after it is demanded, the notice must be delivered to a proxy notification address not less than 24 hours before the time appointed for the taking of the poll.
- 42.5 In the case of a poll not taken during the meeting but taken not more than 48 hours after it was demanded, the proxy notice must be delivered:
  - 42.5.1 in accordance with paragraph (40.3), or

- 42.5.2 at the meeting at which the poll was demanded to the chairman, secretary or any director.
- 42.6 An appointment under a proxy notice may be revoked by delivering a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given to a proxy notification address.
- 42.7 A notice revoking a proxy appointment only takes effect if it is delivered before:
- 42.7.1 the start of the meeting or adjourned meeting to which it relates, or
  - 42.7.2 (in the case of a poll not taken on the same day as the meeting or adjourned meeting) the time appointed for taking the poll to which it relates.
- 42.8 If a proxy notice is not signed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

### **43. AMENDMENTS TO RESOLUTIONS**

- 43.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 43.1.1 notice of the proposed amendment is given to the company secretary in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
  - 43.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 43.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 43.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
  - 43.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 43.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

## **RESTRICTIONS ON MEMBERS' RIGHTS**

### **44. NO VOTING OF SHARES ON WHICH MONEY OWED TO COMPANY**

No voting rights attached to a share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the company in respect of that share have been paid.

## **APPLICATION OF RULES TO CLASS MEETINGS**

### **45. CLASS MEETINGS**

The provisions of the articles relating to general meetings apply, with any necessary modifications, to meetings of the holders of any class of shares.

## **PART 4 - SHARES AND DISTRIBUTIONS**

### **ISSUE OF SHARES**

### **46. POWERS TO ISSUE DIFFERENT CLASSES OF SHARE**

- 46.1 Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.
- 46.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

### **47. PAYMENT OF COMMISSIONS ON SUBSCRIPTION FOR SHARES**

- 47.1 The company may pay any person a commission in consideration for that person
  - 47.1.1 subscribing, or agreeing to subscribe, for shares, or
  - 47.1.2 procuring, or agreeing to procure, subscriptions for shares.
- 47.2 Any such commission may be paid:
  - 47.2.1 in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other, and
  - 47.2.2 in respect of a conditional or an absolute subscription.

## INTERESTS IN SHARES

### 48. COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

## SHARE CERTIFICATES

### 49. CERTIFICATES TO BE ISSUED EXCEPT IN CERTAIN CASES

- 49.1 The company must issue each member with one or more certificates in respect of the shares which that member holds.
- 49.2 This article does not apply to:
- 49.2.1 uncertificated shares;
  - 49.2.2 shares in respect of which a share warrant has been issued; or
  - 49.2.3 shares in respect of which the Companies Acts permit the company not to issue a certificate.
- 49.3 Except as otherwise specified in the articles, all certificates must be issued free of charge.
- 49.4 No certificate may be issued in respect of shares of more than one class.
- 49.5 If more than one person holds a share, only one certificate may be issued in respect of it.

### 50. CONTENTS AND EXECUTION OF SHARE CERTIFICATES

- 50.1 Every certificate must specify:
- 50.1.1 in respect of how many shares, of what class, it is issued;
  - 50.1.2 the nominal value of those shares;
  - 50.1.3 the amount paid up on them; and
  - 50.1.4 any distinguishing numbers assigned to them.
- 50.2 Certificates must:
- 50.2.1 have affixed to them the company's common seal or an official seal which is a facsimile of the company's common seal with the addition on its face of the word "Securities" (a "securities seal"), or

50.2.2 be otherwise executed in accordance with the Companies Acts.

## **51. CONSOLIDATED SHARE CERTIFICATES**

51.1 When a member's holding of shares of a particular class increases, the company may issue that member with:

51.1.1 a single, consolidated certificate in respect of all the shares of a particular class which that member holds, or

51.1.2 a separate certificate in respect of only those shares by which that member's holding has increased.

51.2 When a member's holding of shares of a particular class is reduced, the company must ensure that the member is issued with one or more certificates in respect of the number of shares held by the member after that reduction. But the company need not (in the absence of a request from the member) issue any new certificate if:

51.2.1 all the shares which the member no longer holds as a result of the reduction, and

51.2.2 none of the shares which the member retains following the reduction, were, immediately before the reduction, represented by the same certificate.

51.3 A member may request the company, in writing, to replace:

51.3.1 the member's separate certificates with a consolidated certificate, or

51.3.2 the member's consolidated certificate with two or more separate certificates representing such proportion of the shares as the member may specify.

51.4 When the company complies with such a request it may charge such reasonable fee as the directors may decide for doing so.

51.5 A consolidated certificate must not be issued unless any certificates which it is to replace have first been returned to the company for cancellation.

## **52. REPLACEMENT SHARE CERTIFICATES**

52.1 If a certificate issued in respect of a member's shares is:

52.1.1 damaged or defaced, or

52.1.2 said to be lost, stolen or destroyed,

that member is entitled to be issued with a replacement certificate in respect of the same shares.

52.2 A member exercising the right to be issued with such a replacement certificate:

52.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

- 52.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and
- 52.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

### **SHARES NOT HELD IN CERTIFICATED FORM**

#### **53. UNCERTIFICATED SHARES**

- 53.1 In this article, "the relevant rules" means:
  - 53.1.1 any applicable provision of the Companies Acts about the holding, evidencing of title to, or transfer of shares other than in certificated form, and
  - 53.1.2 any applicable legislation, rules or other arrangements made under or by virtue of such provision.
- 53.2 The provisions of this article have effect subject to the relevant rules.
- 53.3 Any provision of the articles which is inconsistent with the relevant rules must be disregarded, to the extent that it is inconsistent, whenever the relevant rules apply.
- 53.4 Any share or class of shares of the company may be issued or held on such terms, or in such a way, that:
  - 53.4.1 title to it or them is not, or must not be, evidenced by a certificate, or
  - 53.4.2 it or they may or must be transferred wholly or partly without a certificate.
- 53.5 The directors have power to take such steps as they think fit in relation to:
  - 53.5.1 the evidencing of and transfer of title to uncertificated shares (including in connection with the issue of such shares);
  - 53.5.2 any records relating to the holding of uncertificated shares;
  - 53.5.3 the conversion of certificated shares into uncertificated shares; or
  - 53.5.4 the conversion of uncertificated shares into certificated shares.
- 53.6 The company may by notice to the holder of a share require that share:
  - 53.6.1 if it is uncertificated, to be converted into certificated form, and
  - 53.6.2 if it is certificated, to be converted into uncertificated form,
 to enable it to be dealt with in accordance with the articles.
- 53.7 If:
  - 53.7.1 the articles give the directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of shares, and
  - 53.7.2 uncertificated shares are subject to that power, but the power is expressed in terms which assume the use of a certificate or other written instrument,

the directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to uncertificated shares.

- 53.8 In particular, the directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it.
- 53.9 Unless the directors otherwise determine, shares which a member holds in uncertificated form must be treated as separate holdings from any shares which that member holds in certificated form.
- 53.10 A class of shares must not be treated as two classes simply because some shares of that class are held in certificated form and others are held in uncertificated form.

#### **54. SHARE WARRANTS**

- 54.1 The directors may issue a share warrant in respect of any fully paid share.
- 54.2 Share warrants must be:
- 54.2.1 issued in such form, and
  - 54.2.2 executed in such manner,
- as the directors decide.
- 54.3 A share represented by a share warrant may be transferred by delivery of the warrant representing it.
- 54.4 The directors may make provision for the payment of dividends in respect of any share represented by a share warrant.
- 54.5 Subject to the articles, the directors may decide the conditions on which any share warrant is issued. In particular, they may:
- 54.5.1 decide the conditions on which new warrants are to be issued in place of warrants which are damaged or defaced, or said to have been lost, stolen or destroyed;
  - 54.5.2 decide the conditions on which bearers of warrants are entitled to attend and vote at general meetings;
  - 54.5.3 decide the conditions subject to which bearers of warrants may surrender their warrant so as to hold their shares in certificated or uncertificated form instead; and
  - 54.5.4 vary the conditions of issue of any warrant from time to time,
- and the bearer of a warrant is subject to the conditions and procedures in force in relation to it, whether or not they were decided or specified before the warrant was issued.

- 54.6 Subject to the conditions on which the warrants are issued from time to time, bearers of share warrants have the same rights and privileges as they would if their names had been included in the register as holders of the shares represented by their warrants.
- 54.7 The company must not in any way be bound by or recognise any interest in a share represented by a share warrant other than the absolute right of the bearer of that warrant to that warrant.

### **PARTLY PAID SHARES**

#### **55. COMPANY'S LIEN OVER PARTLY PAID SHARES**

- 55.1 The company has a lien ("the company's lien") over every share which is partly paid for any part of:
- 55.1.1 that share's nominal value, and
  - 55.1.2 any premium at which it was issued,
- which has not been paid to the company, and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it.
- 55.2 The company's lien over a share:
- 55.2.1 takes priority over any third party's interest in that share, and
  - 55.2.2 extends to any dividend or other money payable by the company in respect of that share and (if the lien is enforced and the share is sold by the company) the proceeds of sale of that share.
- 55.3 The directors may at any time decide that a share which is or would otherwise be subject to the company's lien shall not be subject to it, either wholly or in part.

#### **56. ENFORCEMENT OF THE COMPANY'S LIEN**

- 56.1 Subject to the provisions of this article, if:
- 56.1.1 a lien enforcement notice has been given in respect of a share, and
  - 56.1.2 the person to whom the notice was given has failed to comply with it,
- the company may sell that share in such manner as the directors decide.
- 56.2 A lien enforcement notice:
- 56.2.1 may only be given in respect of a share which is subject to the company's lien, in respect of which a sum is payable and the due date for payment of that sum has passed;
  - 56.2.2 must specify the share concerned;

- 56.2.3 must require payment of the sum payable within 14 days of the notice;
  - 56.2.4 must be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise; and
  - 56.2.5 must state the company's intention to sell the share if the notice is not complied with.
- 56.3 Where shares are sold under this article:
- 56.3.1 the directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, and
  - 56.3.2 the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.
- 56.4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:
- 56.4.1 first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice,
  - 56.4.2 second, to the person entitled to the shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the company for cancellation or a suitable indemnity has been given for any lost certificates, and subject to a lien equivalent to the company's lien over the shares before the sale for any money payable in respect of the shares after the date of the lien enforcement notice.
- 56.5 A statutory declaration by a director or the company secretary that the declarant is a director or the company secretary and that a share has been sold to satisfy the company's lien on a specified date:
- 56.5.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share, and
  - 56.5.2 subject to compliance with any other formalities of transfer required by the articles or by law, constitutes a good title to the share.

## **57. CALL NOTICES**

- 57.1 Subject to the articles and the terms on which shares are allotted, the directors may send a notice (a "call notice") to a member requiring the member to pay the company a specified sum of money (a "call") which is payable in respect of shares which that member holds at the date when the directors decide to send the call notice.
- 57.2 A call notice:

- 57.2.1 may not require a member to pay a call which exceeds the total sum unpaid on that member's shares (whether as to the share's nominal value or any amount payable to the company by way of premium);
  - 57.2.2 must state when and how any call to which it relates it is to be paid; and
  - 57.2.3 may permit or require the call to be paid by instalments.
- 57.3 A member must comply with the requirements of a call notice, but no member is obliged to pay any call before 14 days have passed since the notice was sent.
- 57.4 Before the company has received any call due under a call notice the directors may:
- 57.4.1 revoke it wholly or in part, or
  - 57.4.2 specify a later time for payment than is specified in the notice,
- by a further notice in writing to the member in respect of whose shares the call is made.

## **58. LIABILITY TO PAY CALLS**

- 58.1 Liability to pay a call is not extinguished or transferred by transferring the shares in respect of which it is required to be paid.
- 58.2 Joint holders of a share are jointly and severally liable to pay all calls in respect of that share.
- 58.3 Subject to the terms on which shares are allotted, the directors may, when issuing shares, provide that call notices sent to the holders of those shares may require them:
- 58.3.1 to pay calls which are not the same, or
  - 58.3.2 to pay calls at different times.

## **59. WHEN CALL NOTICE NEED NOT BE ISSUED**

- 59.1 A call notice need not be issued in respect of sums which are specified, in the terms on which a share is issued, as being payable to the company in respect of that share (whether in respect of nominal value or premium):
- 59.1.1 on allotment;
  - 59.1.2 on the occurrence of a particular event; or
  - 59.1.3 on a date fixed by or in accordance with the terms of issue.
- 59.2 But if the due date for payment of such a sum has passed and it has not been paid, the holder of the share concerned is treated in all respects as having failed to comply with a call notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

## **60. FAILURE TO COMPLY WITH CALL NOTICE: AUTOMATIC CONSEQUENCES**

- 60.1 If a person is liable to pay a call and fails to do so by the call payment date:
- 60.1.1 the directors may issue a notice of intended forfeiture to that person, and
  - 60.1.2 until the call is paid, that person must pay the company interest on the call from the call payment date at the relevant rate.
- 60.2 For the purposes of this article:
- 60.2.1 the "call payment date" is the time when the call notice states that a call is payable, unless the directors give a notice specifying a later date, in which case the "call payment date" is that later date;
  - 60.2.2 the "relevant rate" is:
    - 60.2.2.1 the rate fixed by the terms on which the share in respect of which the call is due was allotted;
    - 60.2.2.2 such other rate as was fixed in the call notice which required payment of the call, or has otherwise been determined by the directors; or
    - 60.2.2.3 if no rate is fixed in either of these ways, 5 per cent per annum.
- 60.3 The relevant rate must not exceed by more than 5 percentage points the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998(a).
- 60.4 The directors may waive any obligation to pay interest on a call wholly or in part.

## **61. NOTICE OF INTENDED FORFEITURE**

A notice of intended forfeiture:

- 61.1 may be sent in respect of any share in respect of which a call has not been paid as required by a call notice;
- 61.2 must be sent to the holder of that share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise;
- 61.3 must require payment of the call and any accrued interest by a date which is not less than 14 days after the date of the notice;
- 61.4 must state how the payment is to be made; and
- 61.5 must state that if the notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

## 62. DIRECTORS' POWER TO FORFEIT SHARES

If a notice of intended forfeiture is not complied with before the date by which payment of the call is required in the notice of intended forfeiture, the directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

## 63. EFFECT OF FORFEITURE

63.1 Subject to the articles, the forfeiture of a share extinguishes:

63.1.1 all interests in that share, and all claims and demands against the company in respect of it, and

63.1.2 all other rights and liabilities incidental to the share as between the person whose share it was prior to the forfeiture and the company.

63.2 Any share which is forfeited in accordance with the articles:

63.2.1 is deemed to have been forfeited when the directors decide that it is forfeited;

63.2.2 is deemed to be the property of the company; and

63.2.3 may be sold, re-allotted or otherwise disposed of as the directors think fit.

63.3 If a person's shares have been forfeited:

63.3.1 the company must send that person notice that forfeiture has occurred and record it in the register of members;

63.3.2 that person ceases to be a member in respect of those shares;

63.3.3 that person must surrender the certificate for the shares forfeited to the company for cancellation;

63.3.4 that person remains liable to the company for all sums payable by that person under the articles at the date of forfeiture in respect of those shares, including any interest (whether accrued before or after the date of forfeiture); and

63.3.5 the directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

63.4 At any time before the company disposes of a forfeited share, the directors may decide to cancel the forfeiture on payment of all calls and interest due in respect of it and on such other terms as they think fit.

## **64. PROCEDURE FOLLOWING FORFEITURE**

- 64.1 If a forfeited share is to be disposed of by being transferred, the company may receive the consideration for the transfer and the directors may authorise any person to execute the instrument of transfer.
- 64.2 A statutory declaration by a director or the company secretary that the declarant is a director or the company secretary and that a share has been forfeited on a specified date:
- 64.2.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share, and
- 64.2.2 subject to compliance with any other formalities of transfer required by the articles or by law, constitutes a good title to the share.
- 64.3 A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share.
- 64.4 If the company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the company the proceeds of such sale, net of any commission, and excluding any amount which:
- 64.4.1 was, or would have become, payable, and
- 64.4.2 had not, when that share was forfeited, been paid by that person in respect of that share,
- but no interest is payable to such a person in respect of such proceeds and the company is not required to account for any money earned on them.

## **65. SURRENDER OF SHARES**

- 65.1 A member may surrender any share:
- 65.1.1 in respect of which the directors may issue a notice of intended forfeiture;
- 65.1.2 which the directors may forfeit; or
- 65.1.3 which has been forfeited.
- 65.2 The directors may accept the surrender of any such share.
- 65.3 The effect of surrender on a share is the same as the effect of forfeiture on that share.
- 65.4 A share which has been surrendered may be dealt with in the same way as a share which has been forfeited.

## TRANSFER AND TRANSMISSION OF SHARES

### 66. TRANSFERS OF CERTIFICATED SHARES

- 66.1 Certificated shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of:
- 66.1.1 the transferor, and
  - 66.1.2 (if any of the shares is partly paid) the transferee.
- 66.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 66.3 The company may retain any instrument of transfer which is registered.
- 66.4 The transferor remains the holder of a certificated share until the transferee's name is entered in the register of members as holder of it.
- 66.5 The directors may refuse to register the transfer of a certificated share if:
- 66.5.1 the share is not fully paid;
  - 66.5.2 the transfer is not lodged at the company's registered office or such other place as the directors have appointed;
  - 66.5.3 the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;
  - 66.5.4 the transfer is in respect of more than one class of share; or
  - 66.5.5 the transfer is in favour of more than four transferees.
- 66.6 If the directors refuse to register the transfer of a share, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

### 67. TRANSFER OF UNCERTIFICATED SHARES

A transfer of an uncertificated share must not be registered if it is in favour of more than four transferees.

## **68. TRANSMISSION OF SHARES**

- 68.1 If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- 68.2 Nothing in these articles releases the estate of a deceased member from any liability in respect of a share solely or jointly held by that member.

## **69. TRANSMITTEES' RIGHTS**

- 69.1 A transmittee who produces such evidence of entitlement to shares as the directors may properly require:
- 69.1.1 may, subject to the articles, choose either to become the holder of those shares, or to have them transferred to another person, and
- 69.1.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 69.2 But transmittees do not have the right to attend or vote at a general meeting in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares

## **70. EXERCISE OF TRANSMITTEES' RIGHTS**

- 70.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- 70.2 If the share is a certificated share and a transmittee wishes to have it transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 70.3 If the share is an uncertificated share and the transmittee wishes to have it transferred to another person, the transmittee must:
- 70.3.1 procure that all appropriate instructions are given to effect the transfer, or
- 70.3.2 procure that the uncertificated share is changed into certificated form and then execute an instrument of transfer in respect of it.
- 70.4 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

**71. TRANSMITTEES BOUND BY PRIOR NOTICES**

If a notice is given to a member in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the member before the transmittee's name has been entered in the register of members.

**CONSOLIDATION OF SHARES****72. PROCEDURE FOR DISPOSING OF FRACTIONS OF SHARES**

72.1 This article applies where:

72.1.1 there has been a consolidation or division of shares; and

72.1.2 as a result, members are entitled to fractions of shares.

72.2 The directors may:

72.2.1 sell the shares representing the fractions to any person including the company for the best price reasonably obtainable;

72.2.2 in the case of a certificated share, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser; and

72.2.3 distribute the net proceeds of sale in due proportion among the holders of the shares.

72.3 Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the directors, that member's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland.

72.4 The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.

72.5 The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale.

**DISTRIBUTIONS****73. PROCEDURE FOR DECLARING DIVIDENDS**

73.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.

- 73.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 73.3 No dividend may be declared or paid unless it is in accordance with members' respective rights.
- 73.4 Unless the members' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it.
- 73.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.
- 73.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 73.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

#### **74. CALCULATION OF DIVIDENDS**

- 74.1 Except as otherwise provided by the articles or the rights attached to shares, all dividends must be:
- 74.1.1 declared and paid according to the amounts paid up on the shares on which the dividend is paid, and
  - 74.1.2 apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 74.2 If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly.
- 74.3 For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

#### **75. PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS**

- 75.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

- 75.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;
  - 75.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;
  - 75.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or
  - 75.1.4 any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.
- 75.2 In the articles, "the distribution recipient" means, in respect of a share in respect of which a dividend or other sum is payable:
- 75.2.1 the holder of the share; or
  - 75.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or
  - 75.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

## **76. DEDUCTIONS FROM DISTRIBUTIONS IN RESPECT OF SUMS OWED TO THE COMPANY**

- 76.1 If:
- 76.1.1 a share is subject to the company's lien, and
  - 76.1.2 the directors are entitled to issue a lien enforcement notice in respect of it they may, instead of issuing a lien enforcement notice, deduct from any dividend or other sum payable in respect of the share any sum of money which is payable to the company in respect of that share to the extent that they are entitled to require payment under a lien enforcement notice.
- 76.2 Money so deducted must be used to pay any of the sums payable in respect of that share.
- 76.3 The company must notify the distribution recipient in writing of:
- 76.3.1 the fact and amount of any such deduction;
  - 76.3.2 any non-payment of a dividend or other sum payable in respect of a share resulting from any such deduction; and
  - 76.3.3 how the money deducted has been applied.

**77. NO INTEREST ON DISTRIBUTIONS**

- 77.1 The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:
- 77.1.1 the terms on which the share was issued, or
  - 77.1.2 the provisions of another agreement between the holder of that share and the company.

**78. UNCLAIMED DISTRIBUTIONS**

- 78.1 All dividends or other sums which are:
- 78.1.1 payable in respect of shares, and
  - 78.1.2 unclaimed after having been declared or become payable, may be invested or otherwise made use of by the directors for the benefit of the company until claimed.
- 78.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.
- 78.3 If:
- 78.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment, and
  - 78.3.2 the distribution recipient has not claimed it,
- the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

**79. NON-CASH DISTRIBUTIONS**

- 79.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).
- 79.2 If the shares in respect of which such a non-cash distribution is paid are uncertificated, any shares in the company which are issued as a non-cash distribution in respect of them must be uncertificated.

79.3 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

79.3.1 fixing the value of any assets;

79.3.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

79.3.3 vesting any assets in trustees.

## **80. WAIVER OF DISTRIBUTIONS**

80.1 Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if:

80.1.1 the share has more than one holder, or

80.1.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

## **CAPITALISATION OF PROFITS**

### **81. AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS**

81.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:

81.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and

81.1.2 appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

81.2 Capitalised sums must be applied:

81.2.1 on behalf of the persons entitled, and

81.2.2 in the same proportions as a dividend would have been distributed to them.

- 81.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 81.4 A capitalised sum which was appropriated from profits available for distribution may be applied:
- 81.4.1 in or towards paying up any amounts unpaid on existing shares held by the persons entitled, or
  - 81.4.2 in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 81.5 Subject to the articles the directors may:
- 81.5.1 apply capitalised sums in accordance with paragraphs (79.3) and (79.4) partly in one way and partly in another;
  - 81.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
  - 81.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

## **PART 5 -MISCELLANEOUS PROVISIONS**

### **COMMUNICATIONS**

#### **82. MEANS OF COMMUNICATION TO BE USED**

- 82.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.
- 82.2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.
- 82.3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

#### **83. FAILURE TO NOTIFY CONTACT DETAILS**

- 83.1 If:
  - 83.1.1 the company sends two consecutive documents to a member over a period of at least 12 months, and
  - 83.1.2 each of those documents is returned undelivered, or the company receives notification that it has not been delivered,that member ceases to be entitled to receive notices from the company.
- 83.2 A member who has ceased to be entitled to receive notices from the company becomes entitled to receive such notices again by sending the company:
  - 83.2.1 a new address to be recorded in the register of members, or
  - 83.2.2 if the member has agreed that the company should use a means of communication other than sending things to such an address, the information that the company needs to use that means of communication effectively.

## ADMINISTRATIVE ARRANGEMENTS

### 84. COMPANY SEALS

- 84.1 Any common seal may only be used by the authority of the directors.
- 84.2 The directors may decide by what means and in what form any common seal or securities seal is to be used.
- 84.3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 84.4 For the purposes of this article, an authorised person is:
- 84.4.1 any director of the company;
  - 84.4.2 the company secretary; or
  - 84.4.3 any person authorised by the directors for the purpose of signing documents to which the common seal is applied.
- 84.5 If the company has an official seal for use abroad, it may only be affixed to a document if its use on that document, or documents of a class to which it belongs, has been authorised by a decision of the directors.
- 84.6 If the company has a securities seal, it may only be affixed to securities by the company secretary or a person authorised to apply it to securities by the company secretary.
- 84.7 For the purposes of the articles, references to the securities seal being affixed to any document include the reproduction of the image of that seal on or in a document by any mechanical or electronic means which has been approved by the directors in relation to that document or documents of a class to which it belongs.

### 85. DESTRUCTION OF DOCUMENTS

- 85.1 The company is entitled to destroy:
- 85.1.1 all instruments of transfer of shares which have been registered, and all other documents on the basis of which any entries are made in the register of members, from six years after the date of registration;
  - 85.1.2 all dividend mandates, variations or cancellations of dividend mandates, and notifications of change of address, from two years after they have been recorded;
  - 85.1.3 all share certificates which have been cancelled from one year after the date of the cancellation;

- 85.1.4 all paid dividend warrants and cheques from one year after the date of actual payment; and
  - 85.1.5 all proxy notices from one year after the end of the meeting to which the proxy notice relates.
- 85.2 If the company destroys a document in good faith, in accordance with the articles, and without notice of any claim to which that document may be relevant, it is conclusively presumed in favour of the company that:
- 85.2.1 entries in the register purporting to have been made on the basis of an instrument of transfer or other document so destroyed were duly and properly made;
  - 85.2.2 any instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;
  - 85.2.3 any share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and
  - 85.2.4 any other document so destroyed was a valid and effective document in accordance with its recorded particulars in the books or records of the company.
- 85.3 This article does not impose on the company any liability which it would not otherwise have if it destroys any document before the time at which this article permits it to do so.
- 85.4 In this article, references to the destruction of any document include a reference to its being disposed of in any manner.

## **86. NO RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS**

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a member.

## **87. PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS**

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

## DIRECTORS' INDEMNITY AND INSURANCE

### 88. INDEMNITY

- 88.1 Subject to paragraph (86.2), a relevant director of the company or an associated company may be indemnified out of the company's assets against:
- 88.1.1 any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,
  - 88.1.2 any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),
  - 88.1.3 any other liability incurred by that director as an officer of the company or an associated company.
- 88.2 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.
- 88.3 In this article:
- 88.3.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
  - 88.3.2 a "relevant director" means any director or former director of the company or an associated company.

### 89. INSURANCE

- 89.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.
- 89.2 In this article:
- 89.2.1 a "relevant director" means any director or former director of the company or an associated company,
  - 89.2.2 a "relevant loss" means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and
  - 89.2.3 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

**PART 6**  
**OVERRIDING PROVISIONS**

**90. OVERRIDING PROVISIONS**

90.1 If any person alone or jointly with any other person, (hereinafter called the Parent) shall be the holder of not less than 90 per cent in nominal value of the issued shares of the company as confers the right for the time being to attend and vote at general meetings of the company, the following provisions (but without prejudice to the provisions of section 168 of the Companies Act 2006) shall apply and to the extent of any inconsistency shall have overriding effect as against all other provisions of these Articles:

90.1.1 the Parent may at any time and from time to time appoint any person to be a director or remove from office any director howsoever appointed;

90.1.2 any or all powers of the directors shall be restricted in such respects and to such extent as the Parent may by notice to the company from time to time prescribe and any such restriction may be removed or varied in such regard and to such extent as the Parent may by notice to the company from time to time prescribe.

90.2 Any such appointment, removal, consent or notice shall be in writing served on the company and signed by the Parent or in the case of a company on its behalf by any one of its directors or by its secretary or by some other person duly authorised for the purpose. No person dealing with the company shall be concerned to see or enquire as to whether the powers of the directors have been in any way restricted hereunder or as to whether any requisite consent of the Parent has been obtained and no obligation incurred or security given or transaction effected by the company to or with any third party shall be invalid or ineffectual unless the third party had at the time express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction was in excess of the powers of the directors.

**Public company limited by shares**

**NEW ARTICLES OF ASSOCIATION**

**of**

**SCOTTISH AND SOUTHERN ENERGY plc**  
(Company Number SC117119)

**Adopted by special resolution passed on 22 July 2010**

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**PART 1**  
**PRELIMINARY**

**1. EXCLUSION OF TABLE A**

The regulations in the Companies (Tables A to F) Regulations 1985, and in any other legislation relating to companies, do not apply as articles or regulations of the company.

**2. DEFINED TERMS**

In the articles, unless the context requires otherwise:

**alternate** or **alternate director** has the meaning given in article 28;

**appointor** has the meaning given in article 28;

**articles** means the company's articles of association;

**bankruptcy** means sequestration or bankruptcy in Scotland, England and Wales or Northern Ireland, and individual insolvency proceedings in any other jurisdiction which have an effect similar to that of sequestration;

**call** has the meaning given in article 61;

**call notice** has the meaning given in article 61;

**certificate** means a paper certificate (other than a share warrant) evidencing a person's title to specified shares or other securities;

**certificated** in relation to a share, means that it is not an uncertificated share or a share in respect of which a share warrant has been issued and is current;

**chairman** has the meaning given in article 13;

**chairman of the meeting** has the meaning given in article 35;

**Companies Acts** means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

**the company** means Scottish and Southern Energy plc;

**company secretary** means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the directors to perform any of the duties of the secretary;

**company's lien** has the meaning given in article 59;

**director** means a director of the company, and includes any person occupying the position of director, by whatever name called;

**distribution recipient** has the meaning given in article 84;

**document** includes, unless otherwise specified, any document sent or supplied in electronic form;

**electronic form** has the meaning given in section 1168 of the Companies Act 2006;

**fully paid** in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

**hard copy form** has the meaning given in section 1168 of the Companies Act 2006;

**holder** in relation to shares means:

- (i) the person whose name is entered in the register of members as the holder of the shares; or
- (ii) unless the context requires otherwise, in the case of a share in respect of which a share warrant has been issued (and not cancelled), the person in possession of that warrant;

**instrument** means a document in hard copy form;

**lien enforcement notice** has the meaning given in article 60;

**ordinary resolution** has the meaning given in section 282 of the Companies Act 2006;

**paid** means paid or credited as paid;

**participate** in relation to a directors' meeting has the meaning given in article 10;

**partly paid** in relation to a share means that part of that share's nominal value or any premium at which it was issued has not been paid to the company;

**proxy notice** has the meaning given in article 44;

**qualifying person** has the meaning given in section 318 of the Companies Act 2006;

**securities seal** has the meaning given in article 54;

**shareholder** means a person who is the holder of a share;

**shares** means shares in the company;

**special resolution** has the meaning given in section 283 of the Companies Act 2006;

**subsidiary** has the meaning given in section 1159 of the Companies Act 2006;

**subsidiary undertaking** has the meaning given in section 1162 of the Companies Act 2006;

**transmittee** means a person entitled to a share by reason of the death or bankruptcy of the shareholder or otherwise by operation of law;

**uncertificated** in relation to a share means that, by virtue of legislation (other than section 778 of the Companies Act 2006) permitting title to shares to be evidenced and transferred without a certificate, title to that share is evidenced and may be transferred without a certificate;

**working day** has the meaning given in section 1173 of the Companies Act 2006; and

**writing** means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in the articles bear the same meaning as in the Companies Act 2006 as in force on the date when the articles become binding on the company.

### **3. INTERPRETATION AND CONSTRUCTION**

In the articles:

words denoting persons include bodies corporate and unincorporated;

words denoting the masculine include the female and vice versa;

words denoting the singular include the plural and vice versa;

heading and sub-headings are for convenience only and do not affect the meaning of the articles;

unless the context otherwise requires, and subject to the last paragraph of article 2, references to any statute or statutory provision include any modification or re-enactment of it in force for the time being;

any powers of delegation shall not be restrictively construed, but the widest interpretation shall be given to them. Except where the terms of the delegation in question expressly provide otherwise, delegation of a power does not exclude the concurrent exercise of that power by any other body or person who is for the time being authorised to exercise it under the articles or under another delegation of the power.

**3A. LIMITED LIABILITY**

The liability of the members of the company is limited to the amount, if any, unpaid on the shares held by them.

**3B. CHANGE OF NAME**

The company may change its name by resolution of the directors.

**PART 2**

**DIRECTORS**

**DIRECTORS' POWERS AND RESPONSIBILITIES**

**4. DIRECTORS' GENERAL AUTHORITY**

4.1 Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

4.2 In exercising the powers of the company to borrow money, the directors must comply with the attached schedule (which forms part of the articles).

**5. SHAREHOLDERS' RESERVE POWER**

5.1 The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action.

5.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

**6. DIRECTORS MAY DELEGATE**

6.1 Subject to the articles, the directors may delegate any of their powers:

- 6.1.1 to such person or committee;
- 6.1.2 by such means (including by power of attorney);
- 6.1.3 to such an extent;
- 6.1.4 in relation to such matters or territories; and
- 6.1.5 on such terms and conditions;  
as they think fit.

6.2 Any such delegation shall, in the absence of express provision to the contrary in the terms of delegation, be deemed to authorise further delegation of the directors' powers by any person or committee to whom they are delegated.

6.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

**7. COMMITTEES**

7.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

7.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

**DECISION-MAKING BY DIRECTORS**

**8. DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

Subject to the articles, decisions of the directors must be taken:

- 8.1 at a directors' meeting; or
- 8.2 in the form of a directors' written resolution.

**9. CALLING A DIRECTORS' MEETING**

- 9.1 Any director may call a directors' meeting.
- 9.2 The company secretary must call a directors' meeting if a director so requests.
- 9.3 A directors' meeting is called by giving notice of the meeting to the directors.
- 9.4 Notice of any directors' meeting must indicate:
- 9.4.1 its proposed date, time and subject matter;
  - 9.4.2 where it is to take place; and
  - 9.4.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 9.5 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 9.6 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

**10. PARTICIPATION IN DIRECTORS' MEETINGS**

- 10.1 Subject to the articles, directors participate in a directors' meeting, or part of a director's meeting, when:
- 10.1.1 the meeting has been called and takes place in accordance with the articles; and
  - 10.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 10.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 10.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

## 11. QUORUM FOR DIRECTORS' MEETINGS

- 11.1 At a directors' meeting, unless a quorum is participating, no proposal shall be voted on, except a proposal to call another meeting.
- 11.2 The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two.

## 12. MEETINGS WHERE TOTAL NUMBER OF DIRECTORS LESS THAN QUORUM

- 12.1 This article applies where the total number of directors for the time being is less than the quorum for directors' meetings.
- 12.2 If there is only one director, that director may appoint sufficient directors to make up a quorum or call a general meeting to do so.
- 12.3 If there is more than one director:
- 12.3.1 a directors' meeting may take place, if it is called in accordance with the articles and at least two directors participate in it, with a view to appointing sufficient directors to make up a quorum or calling a general meeting to do so; and
- 12.3.2 if a director's meeting is called but only one director attends at the appointed date and time to participate in it, that director may appoint sufficient directors to make up a quorum or call a general meeting to do so.

## 13. CHAIRING OF DIRECTORS' MEETINGS

- 13.1 The directors may appoint a director to chair their meetings.
- 13.2 The person so appointed for the time being is known as the **chairman**.
- 13.3 The directors may appoint other directors as deputy or assistant chairmen to chair directors' meetings in the chairman's absence.
- 13.4 The directors may terminate the appointment of the chairman, deputy or assistant chairman at any time.

- 13.5 If neither the chairman nor any director appointed generally to chair directors' meetings in the chairman's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

#### **14. VOTING AT DIRECTORS' MEETINGS: GENERAL RULES**

- 14.1 Subject to the articles, a decision is taken at a directors' meeting when a majority of the participating directors vote in favour of a proposal.
- 14.2 Subject to the articles, each director participating in a directors' meeting has one vote.
- 14.3 Subject to the articles, if a director has an interest in an actual or proposed transaction or arrangement with the company, that director may not vote on any proposal relating to it.

#### **15. CHAIRMAN'S CASTING VOTE AT DIRECTORS' MEETINGS**

- 15.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting shall have a casting vote.
- 15.2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for voting or quorum purposes.

#### **16. ALTERNATES VOTING AT DIRECTORS' MEETINGS**

A director who is also an alternate director has an additional vote on behalf of each appointor who is:

- 16.1 not participating in a directors' meeting; and
- 16.2 would have been entitled to vote if they were participating in it.

#### **17. DIRECTORS' INTEREST IN TRANSACTIONS OR ARRANGEMENTS WITH THE COMPANY**

- 17.1 Subject to the Companies Acts, and provided he has complied with any provision of the Companies Acts requiring declaration of his interest to the other directors, a director may:
- 17.1.1 have any kind of interest in any existing or proposed transaction or arrangement with the company or in which the company is otherwise interested;

- 17.1.2 have any kind of interest in any existing or proposed transaction or arrangement with or involving another company in which the company is interested; and
  - 17.1.3 alone (or through some firm with which he is associated) do paid professional work for the company (other than as auditor).
- 17.2 Unless otherwise agreed, a director is not accountable to the company for any benefit which he receives as a result of anything allowed under article 17.1.
- 17.3 If a directors' meeting, or part of a directors' meeting, is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in that meeting, or part of a meeting, for voting or quorum purposes.
- 17.4 But if article 17.5 below applies, a director who is interested in an actual or proposed transaction or arrangement with the company and that director's alternate:
- 17.4.1 is to be counted for quorum purposes as participating in a decision at a directors' meeting, or part of a directors' meeting, relating to it; and
  - 17.4.2 is entitled to vote on a proposal relating to it.
- 17.5 This article 17.5 applies when:
- 17.5.1 the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in, or voting at, a directors' meeting;
  - 17.5.2 the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
  - 17.5.3 the director's conflict of interest arises from a permitted cause.
- 17.6 For the purposes of this article 17, the following are permitted causes:
- 17.6.1 a guarantee, indemnity or security given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
  - 17.6.2 subscription, or an agreement to subscribe, for shares or other securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities;

- 17.6.3 any contract in which the director is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company;
- 17.6.4 any contract concerning any other company (not being a company in which the director owns one per cent or more) in which the director is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- 17.6.5 arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors as such; and
- 17.6.6 any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors or for, or for the benefit of, persons who include directors.
- 17.7 For the purposes of article 17.6.4, a company is deemed to be one in which a director owns one per cent or more if and for so long as (but only if any for so long as) the director would be connected with that company for the purposes of section 254 of the Companies Act 2006 if, for the references in that section to "20%", there were substituted references to "1%".
- 17.8 References in articles 17.6.3, 17.6.4 and 17.6.6 to a contract include references to a proposed contract and to any transaction or arrangement whether or not constituting a contract.
- 17.9 If a question arises at a meeting of directors or of a committee as to the right of a director (other than the chairman) to vote or be counted in the quorum, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to the director concerned is to be final and conclusive. If any question shall arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting, or that part of the meeting, for voting or quorum purposes.
- 18. DIRECTORS' INTEREST: AUTHORISATION OF CONFLICT SITUATIONS BY DIRECTORS**
- 18.1 For the purposes of section 175 of the Companies Act 2006, the directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under that section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company.

- 18.2 Authorisation of a matter under this article 18 is effective only if:
- 18.2.1 the matter in question is proposed in writing for consideration at a directors' meeting, in accordance with the directors' normal procedures or in such other manner as the directors may approve;
  - 18.2.2 the proposal is dealt with as an item of business at that directors' meeting in accordance with the directors' normal procedures (subject to articles 18.2.3 and 18.2.4);
  - 18.2.3 any requirement as to the quorum at the directors' meeting, or the part of a directors' meeting, at which the matter is considered is met without counting the director in question and any other interested director (together the **interested directors**); and
  - 18.2.4 the matter is agreed to without the interested directors voting, or the matter would have been agreed to if the votes of the interested directors had not been counted.
- 18.3 Any authorisation of a matter under this article 18 extends to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
- 18.4 Any authorisation of a matter under this article 18 may be given on or subject to such conditions or limitations as the directors decide, whether at the time such authorisation is given or subsequently. In particular, the directors may provide:
- 18.4.1 for the exclusion of some or all of the interested directors from the receipt of information, or participation in discussion (whether at directors' meetings or otherwise), relating to the matter authorised by the directors; or
  - 18.4.2 with respect to an interested director who obtains information that is confidential to a third party, that he is not obliged to disclose that information to the company, or to use the information in relation to the company's affairs, where to do so would amount to a breach of that confidence.
- A director must comply with any obligations imposed on him by the directors in or pursuant to any authorisation.
- 18.5 A director is not, except as otherwise agreed by him, accountable to the company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under this

article 18, and any contract, transaction or arrangement relating to such matter is not liable to be avoided on the grounds of any such benefit.

- 18.6 An authorisation under this article 18 may be terminated by the directors at any time.
- 18.7 The provisions of article 18.2 apply in relation to any modification of the conditions or limitations on or subject to which an authorisation is given as they apply in relation to the giving of the authorisation.
- 18.8 An authorisation must be recorded in writing, but failure to do so will not invalidate the authorisation.
- 18.9 The directors may not delegate the powers conferred on them under article 18.1.

**19. PROPOSING DIRECTORS' WRITTEN RESOLUTIONS**

- 19.1 Any director may propose a directors' written resolution.
- 19.2 The company secretary must propose a directors' written resolution if a director so requests.
- 19.3 A directors' written resolution is proposed by giving notice of the proposed resolution to the directors.
- 19.4 Notice of a proposed directors' written resolution must indicate:
  - 19.4.1 the proposed resolution; and
  - 19.4.2 the time by which it is proposed that the directors should adopt it.
- 19.5 Notice of a proposed directors' written resolution must be given in writing to each director.

**20. ADOPTION OF DIRECTORS' WRITTEN RESOLUTIONS**

- 20.1 A proposed directors' written resolution is adopted when a majority of the directors who would have been entitled to vote on the resolution at a directors' meeting have signed one or more copies of it or otherwise indicated agreement to it in writing, provided that those directors signing would have formed a quorum at such meeting.
- 20.2 It is immaterial whether any director signs the resolution before or after the time by which the notice proposed that it should be adopted.

20.3 Once a directors' written resolution has been adopted, it must be treated as if it had been a decision taken at a directors' meeting in accordance with the articles.

20.4 The company secretary must ensure that the company keeps a record, in writing, of all directors' written resolutions for at least ten years from the date of their adoption.

**21. DIRECTORS' DISCRETION TO MAKE FURTHER RULES**

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

**APPOINTMENT OF DIRECTORS**

**22. MINIMUM AND MAXIMUM NUMBER OF DIRECTORS**

22.1 Subject to article 22.2, the company shall have:

22.1.1 not more than 16; and

22.1.2 not less than four,

directors.

22.2 The company may by ordinary resolution vary the minimum or maximum number of directors.

22.3 For the purposes of this article 22, an alternate director is not deemed to be a director.

**23. METHODS OF APPOINTING DIRECTORS**

Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director:

23.1.1 by ordinary resolution; or

23.1.2 by a decision of the directors.

**24. RETIREMENT OF DIRECTORS BY ROTATION**

At every annual general meeting any directors:

24.1 who have been appointed by the directors since the last annual general meeting; or

24.2 who were not appointed or reappointed at one of the preceding two annual general meetings, must retire from office and may offer themselves for reappointment by the shareholders.

**25. TERMINATION OF DIRECTOR'S APPOINTMENT**

25.1 A person ceases to be a director as soon as:

25.1.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

25.1.2 a bankruptcy order or an award of sequestration is made against that person or his estate;

25.1.3 a composition is made with that person's creditors generally in satisfaction of that person's debts, or that person grants a trust deed (within the meaning of section 5(4A) of the Bankruptcy (Scotland) Act 1985);

25.1.4 a consultant specialist who is treating that person (provided he is a consultant specialist in the discipline which customarily deals with that person's alleged condition) gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and is likely to remain so for more than three months;

25.1.5 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

25.1.6 notification is received by the company from the director that the director is resigning or retiring from office as director, and such resignation or retirement has taken effect in accordance with its terms; or

25.1.7 that person receives notice signed by all the other directors stating that that person should cease to be a director.

25.2 The termination of a person's appointment as a director under the articles terminates that person's membership of any committee.

25.3 The termination of a person's appointment as a director under the articles is without prejudice to any claim which that person may have for breach of contract.

**26. DIRECTORS' REMUNERATION**

26.1 Directors may undertake any services for the company that the directors decide.

26.2 Subject to article 26.6, directors are entitled to such remuneration as the directors determine:

26.2.1 for their services to the company as directors; and

26.2.2 for any other service which they undertake for the company.

26.3 Subject to the articles, a director's remuneration may:

26.3.1 take any form; and

26.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

26.4 Unless the directors decide otherwise, directors' remuneration accrues from day to day.

26.5 Unless the directors decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

26.6 The fees paid to directors for their services to the company as directors must not exceed in aggregate £750,000 per annum, or such higher amount as the company may from time to time decide by ordinary resolution.

26.7 The fees referred to in article 26.6 are distinct from any remuneration or other amounts payable to a director pursuant to other provisions of the articles or any contract or arrangement between the company and the relevant director, and nothing in article 26.6 prevents or restricts the payment of such extra remuneration as the directors may determine to any director who:

26.7.1 is appointed to any executive office (including for this purpose the office of chairman, deputy chairman or vice-chairman, whether or not such office is held in an executive capacity);

26.7.2 serves on any committee;

26.7.3 acts as trustee of a retirement benefits scheme or employees' share scheme;

26.7.4 otherwise performs duties which are outside the scope of the ordinary duties of a director; or

26.7.5 makes any special exertions in going or residing abroad or otherwise in or about the business of the company.

## 27. DIRECTORS' EXPENSES

The company may pay any reasonable expenses which the directors properly incur in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

## ALTERNATE DIRECTORS

### 28. APPOINTMENT AND REMOVAL OF ALTERNATE DIRECTORS

28.1 Any director (the **appointor**) may appoint as his alternate (an **alternate** or **alternate director**) any other director, or any other person approved by resolution of the directors, to:

28.1.1 exercise that director's powers; and

28.1.2 carry out that director's responsibilities,

in relation to the taking of decisions by the directors in the absence of the alternate's appointor.

28.2 Any appointment or removal of an alternate must be effected by notice in writing to the company signed by the appointor, or in any other manner approved by the directors.

28.3 The notice must:

28.3.1 identify the proposed alternate; and

28.3.2 in the case of a notice of appointment, contain a statement signed by the proposed alternate that the proposed alternate is willing to act as the alternate of the director giving the notice.

### 29. RIGHTS AND RESPONSIBILITIES OF ALTERNATE DIRECTORS

29.1 An alternate director has (except as regards power to appoint an alternate and remuneration) the same rights, in relation to any directors' meeting or directors' written resolution, as the alternate's appointor.

29.2 Except as the articles specify otherwise, alternate directors:

29.2.1 are deemed for all purposes to be directors;

29.2.2 are liable for their own acts and omissions;

29.2.3 are subject to the same restrictions as their appointors; and

29.2.4 are not deemed to be agents of or for their appointors.

29.3 A person who is an alternate director but not a director:

29.3.1 must be counted as participating for the purposes of determining whether a quorum is participating (but only if that person's appointor is not participating); and

29.3.2 may sign a written resolution (but only if it is not signed or to be signed by that person's appointor).

No alternate may be counted as more than one director for such purposes.

29.4 Subject to the articles, if an alternate's appointor has an interest in an actual or proposed transaction or arrangement with the company:

29.4.1 that alternate may not vote on any proposal relating to it; but

29.4.2 this does not preclude the alternate from voting in relation to that transaction or arrangement on behalf of another appointor who does not have such an interest.

29.5 An alternate director is not entitled to receive any remuneration from the company for serving as an alternate director except such part of the alternate's appointor's remuneration as the appointor may direct by notice in writing made to the company.

### **30. TERMINATION OF ALTERNATE DIRECTORSHIP**

30.1 An alternate director's appointment as an alternate terminates:

30.1.1 when the alternate's appointor revokes the appointment by notice to the company in writing specifying when it is to terminate;

30.1.2 on the occurrence in relation to the alternate of any event which, if it occurred in relation to the alternate's appointor, would result in the termination of the appointor's appointment as a director;

30.1.3 on the death of the alternate's appointor; or

30.1.4 when the alternate's appointor's appointment as a director terminates, except that an alternate's appointment as an alternate does not terminate when the appointor retires by rotation at a general meeting and is then re-appointed as a director at the same general meeting.

### **PART 3**

#### **DECISION-MAKING BY SHAREHOLDERS**

##### **ORGANISATION OF GENERAL MEETINGS**

#### **31. SHAREHOLDERS CAN CALL GENERAL MEETING IF NOT ENOUGH DIRECTORS**

If:

31.1 the total number of directors for the time being is less than the quorum for director's meeting;  
and

31.2 the directors (if any) are unable or unwilling to appoint sufficient directors to make up a quorum or to call a general meeting to do so,

then two or more shareholders may call a general meeting (or instruct the company secretary in writing to do so) for the purpose of appointing one or more directors.

#### **32. POSTPONING OR MOVING GENERAL MEETING**

32.1 If it appears to the directors that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice of the general meeting, they may postpone or move the general meeting to another date, time and/or place.

32.2 The directors must take reasonable steps to ensure that the notice of the date, time and place of the rearranged meeting is given to any shareholder who tries to attend the meeting at the original time and place.

- 32.3 The directors must also, if practicable, advertise the date, time and place of the rearranged meeting in at least two daily newspapers, one with a national circulation in the United Kingdom and one with a circulation in Scotland. Notice of the business to be transacted at this rearranged meeting need not be given again.
- 32.4 The directors may also postpone or move the rearranged meeting under this article.

### **33. ATTENDANCE AND SPEAKING AT GENERAL MEETINGS**

- 33.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 33.2 A person is able to exercise the right to vote at a general meeting when:
- 33.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
  - 33.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 33.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 33.4 In determining attendance at a general meeting, it is immaterial whether any two or more persons attending it are in the same place as each other.
- 33.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.
- 33.6 If persons present at more than one place attend a general meeting, a failure (for any reason) of communication equipment, or any other failure in the arrangements for enabling those in a location other than the principal meeting place to exercise their rights to speak or vote at that meeting, shall not affect the validity of the meeting at the principal meeting place, or any business conducted there or any action taken pursuant to such business.

- 33.7 The directors may, for the purpose of facilitating the organisation and administration of any general meeting, make such arrangements for controlling the level of attendance at any place (including the issue of tickets or the imposition of some other means of selection) as they, in their absolute discretion, consider to be appropriate, and may change those arrangements.

#### 34. QUORUM FOR GENERAL MEETINGS

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum. Three qualifying persons present at a meeting are a quorum unless, of those three:

- 34.1 all or a majority are qualifying persons only because they are authorised under section 323 of the Companies Act 2006 to act as representatives at the meeting, and they are representatives of the same corporation; or
- 34.2 all or a majority are qualifying persons only because they are appointed as proxies in relation to the meeting and they are proxies of the same shareholder.

#### 35. CHAIRING OF GENERAL MEETINGS

- 35.1 The chairman (if any) shall chair general meetings at which he is present.
- 35.2 If the chairman is not present within ten minutes of the time at which a meeting was due to start, the deputy chairman (if any) shall chair the meeting. If there is no deputy chairman, or the deputy chairman is not present within ten minutes of the time at which the meeting was due to start:
- 35.2.1 the directors present; or
- 35.2.2 (if no directors are present), the meeting,
- must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.
- 35.3 The person chairing a meeting in accordance with this article 35 is referred to as the **chairman of the meeting**.

#### 36. ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS

- 36.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

36.2 The chairman of the meeting may permit other persons who are not:

36.2.1 shareholders of the company; or

36.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,  
to attend and speak at a general meeting.

**37. SECURITY ARRANGEMENTS FOR GENERAL MEETINGS**

37.1 The directors and the company secretary may, before a general meeting, make any arrangement, or impose any requirement or restriction, they or he may consider appropriate to ensure the security of the meeting and the safety of persons attending the meeting.

37.2 Such arrangements may include:

37.2.1 directing that persons attending the meeting should produce evidence of identity or submit to searches of their personal property; or

37.2.2 restricting the items that may be taken into the meeting place.

37.3 The directors or the company secretary or the chairman of the meeting may refuse entry to, and the chairman of the meeting may eject from, a general meeting any person who fails to comply with arrangements, requirements or restrictions under this article.

**38. ORDERLY CONDUCT**

38.1 The chairman of the meeting shall take such action, or give directions for such action to be taken, as he thinks fit to promote the orderly conduct of the business of a general meeting as laid down in the notice of the meeting, and to promote the conduct of such business with reasonable despatch.

38.2 The decision of the chairman of the meeting on matters of procedure or arising incidentally from the business of a general meeting shall be final, as shall be his determination as to whether any matter is of such a nature. This provision is without prejudice to the powers of the chairman of the meeting under articles 41.2, 41.4 and 46.

**39. ADJOURNMENT**

39.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

39.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

39.2.1 the meeting consents to an adjournment; or

39.2.2 it appears to the chairman of the meeting that:

(a) the persons wishing to attend cannot be conveniently accommodated in the place or places appointed for the meeting; or

(b) an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

39.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

39.4 When adjourning a general meeting, the chairman of the meeting must (subject to section 307A(7)(b) of the Companies Act 2006):

39.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

39.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

39.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least seven clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):

39.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and

39.5.2 containing the same information which such notice is required to contain.

- 39.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

#### **VOTING AT GENERAL MEETINGS**

#### **40. VOTING: GENERAL**

- 40.1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is taken on it in accordance with the articles.

- 40.2 Subject to the articles:

40.2.1 on a vote on a resolution on a show of hands at a meeting:

- (a) every shareholder present in person has one vote; and
- (b) every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution has one vote (subject to section 285(2) of the Companies Act 2006); and

40.2.2 on a vote on a resolution on a poll taken at a meeting, every shareholder present in person or by proxy has one vote in respect of each share held by him.

#### **41. ERRORS AND DISPUTES**

- 41.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

41.2 Any such objection must be referred to the chairman of the meeting whose decision shall be final.

41.3 If any votes are not counted at a general meeting which ought to have been counted, such error does not invalidate the vote on any resolution unless the error is pointed out at that meeting or adjourned meeting.

41.4 Any such error must be referred to the chairman of the meeting, and shall only invalidate the vote on any resolution if the chairman of the meeting decides that the error may have affected the decision of the meeting. The decision of the chairman of the meeting on such matter shall be final.

**42. DEMANDING A POLL**

42.1 A poll on a resolution may be demanded:

42.1.1 in advance of the general meeting where it is to be put to the vote; or

42.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared, or on the withdrawal of any other demand for a poll.

For the purposes of articles 43.5, 43.7 and 45.4, a poll demanded in advance of a general meeting is treated as demanded at the start of that meeting.

42.2 A poll may be demanded by:

42.2.1 the chairman of the meeting;

42.2.2 the directors;

42.2.3 five or more persons having the right to vote on the resolution; or

42.2.4 a person or persons representing not less than one tenth of the total voting rights of all the shareholders having the right to vote on the resolution.

42.3 A demand for a poll may be withdrawn if:

42.3.1 the poll has not yet been taken; and

42.3.2 the chairman of the meeting consents to the withdrawal.

**43. PROCEDURE ON A POLL**

43.1 Subject to the articles, polls at general meetings must be taken when, where and in such manner as the chairman of the meeting directs.

43.2 The chairman of the meeting may appoint scrutineers (who need not be shareholders) and decide how and when the result of the poll is to be declared. In particular, the chairman of the meeting may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

- 43.3 The result of a poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.
- 43.4 A poll on:
- 43.4.1 the election of the chairman of the meeting; or
  - 43.4.2 a question of adjournment,
- must be taken immediately.
- 43.5 Other polls must be taken within 30 days of their being demanded.
- 43.6 A demand for a poll does not prevent a general meeting from continuing, except as regards the question on which the poll was demanded.
- 43.7 No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded.
- 43.8 In any other case, at least seven days' notice must be given specifying the time and place at which the poll is to be taken.

#### 44. CONTENT OF PROXY NOTICES

- 44.1 Proxies may only validly be appointed by a notice in writing (a **proxy notice**) which:
- 44.1.1 states the name and address of the shareholder appointing the proxy;
  - 44.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;
  - 44.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may decide; and
  - 44.1.4 is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- 44.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

- 44.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 44.4 Unless a proxy notice indicates otherwise, it must be treated as:
- 44.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting (including any proposed amendment of a resolution); and
  - 44.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.
- 44.5 A vote given or poll demanded by proxy or by a representative of a corporation shall be valid notwithstanding that he has not voted in accordance with any instructions given by the member by whom he is appointed. The company is not bound to check or ensure that a person appointed as a proxy or representative of a corporation has in fact voted (or abstained from voting) in accordance with any such member's instructions.

#### **45. DELIVERY OF PROXY NOTICES**

- 45.1 Any notice of a general meeting must specify the address or addresses (**proxy notification address**) at which the company or its agents will receive proxy notices relating to that meeting, or any adjournment of it, delivered in hard copy or electronic form.
- 45.2 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 45.3 Subject to articles 45.4, 45.5 and 45.6, a proxy notice must be delivered to a proxy notification address not less than 48 hours before the general meeting or adjourned meeting at which the person named in the proxy notice proposes to vote.
- 45.4 In the case of a poll taken more than 48 hours after it is demanded, the proxy notice must be delivered to a proxy notification address not less than 24 hours before the time appointed for the taking of the poll.
- 45.5 In the case of a poll not taken during the meeting but taken not more than 48 hours after it was demanded the proxy notice must be delivered in accordance with article 45.3 or at the meeting at which the poll was demanded to the chairman of the meeting or to the secretary or to any director.

- 45.6 In the case of a meeting rearranged under article 32, the proxy notice must be delivered to a proxy notification address not less than 48 hours before the time appointed for holding the rearranged meeting.
- 45.7 An appointment under a proxy notice may be revoked by delivering a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given to a proxy notification address.
- 45.8 A notice revoking a proxy appointment only takes effect if it is delivered before:
- 45.8.1 the start of the meeting or adjourned meeting to which it relates; or
  - 45.8.2 (in the case of a poll not taken on the same day as the meeting or adjourned meeting) the time appointed for taking the poll to which it relates.
- 45.9 If a proxy notice is not signed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.
- 45.10 The directors may in their discretion determine that, in calculating the periods mentioned in articles 45.3, 45.4 and 45.5, no account is to be taken of any part of a day which is not a working day.

#### **46. AMENDMENTS TO RESOLUTIONS**

- 46.1 An ordinary resolution to be proposed at a general meeting may be amended if:
- 46.1.1 notice of the proposed amendment is given to the company secretary in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may decide); and
  - 46.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 46.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 46.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

46.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

46.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

#### **RESTRICTIONS ON SHAREHOLDERS' RIGHTS (SEE ALSO ARTICLE 77)**

#### **47. NO VOTING OF SHARES ON WHICH MONEY OWED TO COMPANY**

No voting rights attached to a share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the company in respect of that share have been paid.

#### **APPLICATION OF RULES TO CLASS MEETINGS**

#### **48. CLASS MEETINGS**

The provisions of the articles relating to general meetings apply, with any necessary modifications, to meetings of the holders of any class of shares as they apply in relation to general meetings.

### **PART 4**

#### **SHARES AND DISTRIBUTIONS**

#### **49. NOT USED**

#### **ISSUE OF SHARES**

#### **50. POWERS TO ISSUE DIFFERENT CLASSES OF SHARE**

50.1 Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution or, in the absence of any such determination, as the directors may determine.

50.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

50.3 The rights attached to any shares are not, unless otherwise expressly provided in the terms on which such shares are issued, deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

**51. PAYMENT OF COMMISSIONS ON SUBSCRIPTION FOR SHARES**

51.1 The company may, to the full extent permitted by the Companies Acts, pay any person a commission in consideration for that person:

51.1.1 subscribing, or agreeing to subscribe, for shares; or

51.1.2 procuring, or agreeing to procure, subscriptions for shares.

51.2 Any such commission may be paid:

51.2.1 in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other; and

51.2.2 in respect of a conditional or an absolute subscription.

**INTERESTS IN SHARES**

**52. COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS**

52.1 Except as required by law or as otherwise provided by the articles, no person shall be recognised by the company as having any equitable, contingent, future or partial interest in any share, and except as otherwise required by law or the articles, the company shall not in any way be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

52.2 The company may (but is not obliged to) recognise, in such manner and to such extent as it thinks fit, any trust, expressed, implied or constructive, in respect of a share.

52.3 Where the company recognises a trust, it will not be bound to see to the execution, administration or observance of the trust, and will be entitled to recognise and give effect to the acts and deeds of the holder as if he was the absolute owner of the share.

52.4 In articles 52.2 and 52.3, a "trust" includes any right in respect of a share other than an absolute right in the holder or any right of a transferee under the articles.

## SHARE CERTIFICATES

### 53. CERTIFICATES TO BE ISSUED EXCEPT IN CERTAIN CASES

53.1 The company must issue each shareholder with one or more certificates in respect of the shares which that shareholder holds.

53.2 This article does not apply to:

53.2.1 uncertificated shares;

53.2.2 shares in respect of which a share warrant has been issued; or

53.2.3 shares in respect of which the Companies Acts permit the company not to issue a certificate.

53.3 Except as otherwise specified in the articles, all certificates must be issued free of charge.

53.4 No certificate may be issued in respect of shares of more than one class.

53.5 If more than one person holds a share, only one certificate may be issued in respect of it.

### 54. CONTENTS AND EXECUTION OF SHARE CERTIFICATES

54.1 Every certificate must specify:

54.1.1 in respect of how many shares, of what class, it is issued;

54.1.2 the nominal value of those shares;

54.1.3 the amount paid up on them; and

54.1.4 any distinguishing numbers assigned to them.

54.2 Certificates must:

54.2.1 have affixed to them the company's common seal or an official seal which is a facsimile of the company's common seal with the addition on its face of the word "Securities" (a **securities seal**); or

54.2.2 be otherwise signed or subscribed in accordance with the Requirements of Writing (Scotland) Act 1995.

## **55. CONSOLIDATED SHARE CERTIFICATES**

55.1 When a shareholder's holding of shares of a particular class increases, the company may issue that shareholder with:

55.1.1 a single, consolidated certificate in respect of all the shares of a particular class which that shareholder holds; or

55.1.2 a separate certificate in respect of only those shares by which that shareholder's holding has increased.

55.2 When a shareholder's holding of shares of a particular class is reduced, the company must ensure that the shareholder is issued with one or more certificates in respect of the number of shares held by the shareholder after that reduction. But the company need not (in the absence of a request from the shareholder) issue any new certificate if:

55.2.1 all the shares which the shareholder no longer holds as a result of the reduction; and

55.2.2 none of the shares which the shareholder retains following the reduction,

were, immediately before the reduction, represented by the same certificate.

55.3 A shareholder may request the company, in writing, to replace:

55.3.1 the shareholder's separate certificates with a consolidated certificate; or

55.3.2 the shareholder's consolidated certificate with two or more separate certificates representing such proportion of the shares as he may specify.

55.4 When the company complies with such a request, it may charge such reasonable fee as the directors may decide for doing so.

55.5 A consolidated certificate must not be issued unless any certificates which it is to replace have first been returned to the company for cancellation.

**56. REPLACEMENT SHARE CERTIFICATES**

56.1 If a certificate issued in respect of a shareholder's shares is:

56.1.1 damaged or defaced; or

56.1.2 said to be lost, stolen or destroyed,

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

56.2 A shareholder exercising the right to be issued with such a replacement certificate:

56.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

56.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and

56.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

**SHARES NOT HELD IN CERTIFICATED FORM**

**57. UNCERTIFICATED SHARES**

57.1 In this article, the **relevant rules** means:

57.1.1 any applicable provision of the Companies Acts about the holding, evidencing of title to, or transfer of shares other than in certificated form; and

57.1.2 any applicable legislation, rules or other arrangements made under or by virtue of such provision.

57.2 The provisions of this article 57 have effect subject to the relevant rules.

57.3 Any provision of the articles which is inconsistent with the relevant rules must be disregarded, to the extent that it is inconsistent, whenever the relevant rules apply.

57.4 Any share or class of shares of the company may be issued or held on such terms, or in a such a way, that:

57.4.1 title to it or them is not, or must not be, evidenced by a certificate; or

57.4.2 it or they may or must be transferred wholly or partly without a certificate.

57.5 The directors have power to take such steps as they think fit in relation to:

57.5.1 the evidencing of and transfer of title to uncertificated shares (including in connection with the issue of such shares);

57.5.2 any records relating to the holding of uncertificated shares;

57.5.3 the conversion of certificated shares into uncertificated shares; or

57.5.4 the conversion of uncertificated shares into certificated shares.

57.6 The company may by notice to the holder of a share require that share:

57.6.1 if it is uncertificated, to be converted into certificated form; and

57.6.2 if it is certificated, to be converted into uncertificated form,

to enable it to be dealt with in accordance with the articles.

57.7 If:

57.7.1 the articles give the directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of shares; and

57.7.2 uncertificated shares are subject to that power, but the power is expressed in terms which assume the use of a certificate or other written instrument,

the directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to uncertificated shares.

57.8 In particular, the directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it.

57.9 Unless the directors otherwise determine, shares which a shareholder holds in uncertificated form must be treated as separate holdings from any shares which that shareholder holds in certificated form.

57.10 A class of shares must not be treated as two classes simply because some shares of that class are held in certificated form and others are held in uncertificated form.

**58. SHARE WARRANTS**

58.1 The directors may issue a share warrant in respect of any fully paid share.

58.2 Share warrants must be:

58.2.1 issued in such form; and

58.2.2 executed in such manner,

as the directors decide.

58.3 Unless the directors agree otherwise, any person applying to have a share warrant issued will be responsible for, and must indemnify the company against, any stamp duties, stamp duty reserve tax, bearer instrument duty, taxes, charges, fees, interest and penalties payable in respect of the issue of the share warrant, and must pay to the company, at the time the share warrant is issued, such amount in respect thereof as the directors may require.

58.4 A share represented by a share warrant may be transferred by delivery of the warrant representing it.

58.5 The directors may make provision for the payment of dividends in respect of any share represented by a share warrant.

58.6 Subject to the articles, the directors may decide the conditions on which any share warrant is issued. In particular, they may:

58.6.1 decide the conditions on which new warrants are to be issued in place of warrants which are damaged or defaced, or said to have been lost, stolen or destroyed;

58.6.2 decide the conditions on which bearers of warrants are entitled to attend and vote at general meetings;

58.6.3 decide the conditions subject to which bearers of warrants may surrender their warrant so as to hold their shares in certificated or uncertificated form instead; and

58.6.4 vary the conditions of issue of any warrant from time to time,

and the bearer of a warrant is subject to the conditions and procedures in force in relation to it, whether or not they were decided or specified before the warrant was issued.

58.7 Subject to the conditions on which the warrants are issued from time to time, bearers of share warrants have the same rights and privileges as they would if their names had been included in the register of members as holders of the shares represented by their warrants.

58.8 The company must not in any way be bound by or recognise any interest in a share represented by a share warrant other than the absolute right of the bearer of that warrant to that warrant.

#### **PARTLY PAID SHARES**

#### **59. COMPANY'S LIEN OVER PARTLY PAID SHARES**

59.1 The company has a lien (the **company's lien**) over every share which is partly paid for any part of:

59.1.1 that share's nominal value; and

59.1.2 any premium at which it was issued,

which has not been paid to the company, and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it.

59.2 The company's lien over a share:

59.2.1 takes priority over any third party's interest in that share; and

59.2.2 extends to any dividend or other money payable by the company in respect of that share and (if the lien is enforced and the share is sold by the company) the proceeds of sale of that share.

59.3 The directors may at any time decide that a share which is or would otherwise be subject to the company's lien shall not be subject to it, either wholly or in part.

**60. ENFORCEMENT OF THE COMPANY'S LIEN**

60.1 Subject to the provisions of this article 60, if:

60.1.1 a lien enforcement notice has been given in respect of a share; and

60.1.2 the person to whom the notice was given has failed to comply with it,

the company may sell that share in such manner as the directors decide.

60.2 A lien enforcement notice:

60.2.1 may only be given in respect of a share which is subject to the company's lien, in respect of which a sum is payable and the due date for payment of that sum has passed,

60.2.2 must specify the share concerned;

60.2.3 must require payment of the sum payable within 14 days of the notice;

60.2.4 must be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise; and

60.2.5 must state the company's intention to sell the share if the notice is not complied with.

60.3 Where shares are sold under this article 60:

60.3.1 the directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser; and

60.3.2 the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.

60.4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:

60.4.1 first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice;

60.4.2 second, to the person entitled to the shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the company for cancellation or a suitable indemnity has been given for any lost certificates, and subject to a lien equivalent to the company's lien over the shares before the sale for any money payable in respect of the shares after the date of the lien enforcement notice.

60.5 A statutory declaration by a director or the company secretary that the declarant is a director or the company secretary and that a share has been sold to satisfy the company's lien on a specified date:

60.5.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share; and

60.5.2 subject to compliance with any other formalities of transfer required by the articles or by law, constitutes a good title to the share.

## 61. CALL NOTICES

61.1 Subject to the articles and the terms on which shares are allotted, the directors may send a notice (a **call notice**) to a shareholder requiring the shareholder to pay the company a specified sum of money (a **call**) which is payable in respect of shares which that shareholder holds at the date when the directors decide to send the call notice.

61.2 A call notice:

61.2.1 may not require a shareholder to pay a call which exceeds the total sum unpaid on that shareholder's shares (whether as to the share's nominal value or any amount payable to the company by way of premium);

61.2.2 must state when and how any call to which it relates it is to be paid; and

61.2.3 may permit or require the call to be paid by instalments.

61.3 A shareholder must comply with the requirements of a call notice, but no shareholder is obliged to pay any call before 14 days have passed since the notice was sent.

61.4 Before the company has received any call due under a call notice the directors may:

61.4.1 revoke it wholly or in part; or

61.4.2 specify a later time for payment than is specified in the notice,

by a further notice in writing to the shareholder in respect of whose shares the call is made.

**62. LIABILITY TO PAY CALLS**

62.1 Liability to pay a call is not extinguished or transferred by transferring the shares in respect of which it is required to be paid.

62.2 Joint holders of a share are jointly and severally liable to pay all calls in respect of that share.

62.3 Subject to the terms on which shares are allotted, the directors may, when issuing shares, provide that call notices sent to the holders of those shares may require them:

62.3.1 to pay calls which are not the same; or

62.3.2 to pay calls at different times.

**63. WHEN CALL NOTICE NEED NOT BE ISSUED**

63.1 A call notice need not be issued in respect of sums which are specified, in the terms on which a share is issued, as being payable to the company in respect of that share (whether in respect of nominal value or premium):

63.1.1 on allotment;

63.1.2 on the occurrence of a particular event; or

63.1.3 on a date fixed by or in accordance with the terms of issue.

63.2 But if the due date for payment of such a sum has passed and it has not been paid, the holder of the share concerned is treated in all respects as having failed to comply with a call notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

**64. FAILURE TO COMPLY WITH CALL NOTICE: AUTOMATIC CONSEQUENCES**

64.1 If a person is liable to pay a call and fails to do so by the call payment date:

64.1.1 the directors may issue a notice of intended forfeiture to that person; and

64.1.2 until the call is paid, that person must pay the company interest on the call from the call payment date at the relevant rate.

64.2 For the purposes of this article:

64.2.1 the **call payment date** is the time when the call notice states that a call is payable, unless the directors give a notice specifying a later date, in which case the **call payment date** is that later date;

64.2.2 the **relevant rate** is:

- (a) the rate fixed by the terms on which the share in respect of which the call is due was allotted;
- (b) such other rate as was fixed in the call notice which required payment of the call, or has otherwise been determined by the directors; or
- (c) if no rate is fixed in either of these ways, 5 per cent per annum.

64.3 The relevant rate must not exceed 20 per centum per annum.

64.4 The directors may waive any obligation to pay interest on a call wholly or in part.

## 65. NOTICE OF INTENDED FORFEITURE

A notice of intended forfeiture:

65.1 may be sent in respect of any share in respect of which a call has not been paid as required by a call notice;

65.2 must be sent to the holder of that share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise;

65.3 must require payment of the call and any accrued interest by a date which is not less than 14 days after the date of the notice;

65.4 must state how the payment is to be made; and

65.5 must state that if the notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

**66. DIRECTORS' POWER TO FORFEIT SHARES**

If a notice of intended forfeiture is not complied with before the date by which payment of the call is required in the notice of intended forfeiture, the directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

**67. EFFECT OF FORFEITURE**

67.1 Subject to the articles, the forfeiture of a share extinguishes:

67.1.1 all interests in that share, and all claims and demands against the company in respect of it;  
and

67.1.2 all other rights and liabilities incidental to the share as between the person whose share it was prior to the forfeiture and the company.

67.2 Any share which is forfeited in accordance with the articles:

67.2.1 is deemed to have been forfeited when the directors decide that it is forfeited;

67.2.2 is deemed to be the property of the company; and

67.2.3 may be sold, re-allotted or otherwise disposed of as the directors think fit.

67.3 If a person's shares have been forfeited:

67.3.1 the company must send that person notice that forfeiture has occurred and record it in the register of members;

67.3.2 that person ceases to be a shareholder in respect of those shares;

67.3.3 that person must surrender the certificate for the shares forfeited to the company for cancellation;

67.3.4 that person remains liable to the company for all sums payable by that person under the articles at the date of forfeiture in respect of those shares, including any interest (whether accrued before or after the date of forfeiture); and

67.3.5 the directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

67.4 At any time before the company disposes of a forfeited share, the directors may decide to cancel the forfeiture on payment of all calls and interest due in respect of it and on such other terms as they think fit.

## **68. PROCEDURE FOLLOWING FORFEITURE**

68.1 If a forfeited share is to be disposed of by being transferred, the company may receive the consideration for the transfer and the directors may authorise any person to execute the instrument of transfer.

68.2 A statutory declaration by a director or the company secretary that the declarant is a director or the company secretary and that a share has been forfeited on a specified date:

68.2.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share; and

68.2.2 subject to compliance with any other formalities of transfer required by the articles or by law, constitutes a good title to the share.

68.3 A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share.

68.4 If the company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the company the proceeds of such sale, net of any commission, and excluding any amount which:

68.4.1 was, or would have become, payable; and

68.4.2 had not, when that share was forfeited, been paid by that person in respect of that share,

but no interest is payable to such a person in respect of such proceeds and the company is not required to account for any money earned on them.

**69. SURRENDER OF SHARES**

69.1 A shareholder may surrender any share:

69.1.1 in respect of which the directors may issue a notice of intended forfeiture;

69.1.2 which the directors may forfeit; or

69.1.3 which has been forfeited.

69.2 The directors may accept the surrender of any such share.

69.3 The effect of surrender on a share is the same as the effect of forfeiture on that share.

69.4 A share which has been surrendered may be dealt with in the same way as a share which has been forfeited.

**TRANSFER AND TRANSMISSION OF SHARES**

**70. TRANSFERS OF CERTIFICATED SHARES**

70.1 Certificated shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of:

70.1.1 the transferor; and

70.1.2 (if any of the shares is partly paid) the transferee.

70.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.

70.3 The company may retain any instrument of transfer which is registered.

70.4 The transferor remains the holder of a certificated share until the transferee's name is entered in the register of members as holder of it.

70.5 The directors may refuse to register the transfer of a certificated share if:

70.5.1 the share is not fully paid;

- 70.5.2 the transfer is not lodged at the company's registered office or such other place as the directors have appointed;
  - 70.5.3 the transfer is not duly stamped or adjudged or certified as not chargeable to stamp duty;
  - 70.5.4 the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;
  - 70.5.5 the transfer is in respect of more than one class of share; or
  - 70.5.6 the transfer is in favour of more than four transferees.
- 70.6 If the directors refuse to register the transfer of a share, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

## **71. TRANSFER OF UNCERTIFICATED SHARES**

A transfer of an uncertificated share must not be registered if it is in favour of more than four transferees.

## **72. TRANSMISSION OF SHARES**

- 72.1 If title to a share passes to a transferee, the company may only recognise the transferee as having any title to that share.
- 72.2 Nothing in the articles releases the estate of a deceased shareholder from any liability in respect of a share solely or jointly held by that shareholder.

## **73. TRANSFEREES' RIGHTS**

- 73.1 A transferee who produces such evidence of entitlement to shares as the directors may properly require:
  - 73.1.1 may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person; and

73.1.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.

73.2 But transmittees do not have the right to attend or vote at a general meeting in respect of shares to which they are entitled by reason of the holder's death or bankruptcy unless they become the holders of those shares.

#### **74. EXERCISE OF TRANSMITTEES' RIGHTS**

74.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.

74.2 If the share is a certificated share and a transmittee wishes to have it transferred to another person, the transmittee must execute an instrument of transfer in respect of it.

74.3 If the share is an uncertificated share and the transmittee wishes to have it transferred to another person, the transmittee must:

74.3.1 procure that all appropriate instructions are given to effect the transfer; or

74.3.2 procure that the uncertificated share is changed into certificated form and then execute an instrument of transfer in respect of it.

74.4 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

#### **75. TRANSMITTEES BOUND BY PRIOR NOTICES**

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of members.

## UNTRACED SHAREHOLDERS

## 76. DIRECTORS' POWER TO SELL SHARES

76.1 The company may sell any certificated shares in the company on behalf of the holder of, or transmittee entitled to, the shares at the best price reasonably obtainable at the time of the sale if:

76.1.1 the shares have been in issue either as certificated shares or uncertificated shares throughout the qualifying period and at least three cash dividends have become payable on the shares during the qualifying period;

76.1.2 no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or transmittee entitled to, the shares or by the transfer of funds by means of a system operated pursuant to the relevant rules (as defined in article 57.1) at any time during the relevant period;

76.1.3 so far as any director at the end of the relevant period is then aware, the company has not at any time during the relevant period received any communication from the holder of, or transmittee entitled to, the shares;

76.1.4 the company has placed advertisements in two national newspapers, giving notice of its intention to sell the shares; and

76.1.5 a period of three months has elapsed from the date of publication of the advertisements or of the later of the two advertisements to be published if they are published on different dates.

76.2 For the purpose of this article:

**the qualifying period** means the period of twelve years immediately preceding the date of publication of the advertisements referred to in article 76.1.4 or of the first of the two advertisements to be published if they are published on different dates; and

**the relevant period** means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of articles 76.1.1 to 76.1.5 have been satisfied.

If during any relevant period further shares have been issued in right of those held at the beginning of that relevant period or of any previously so issued during that relevant period and all the requirements

of articles 76.1.2 to 76.1.5 above have been satisfied in regard to the further shares, the company may also sell the further shares.

- 76.3 To give effect to any sale of shares pursuant to this article 76 the directors may authorise some person to transfer the shares and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or transmittee entitled to, the shares.
- 76.4 The purchaser of shares shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the process relating to the sale.
- 76.5 The net proceeds of sale belong to the company and, upon their receipt, the company becomes indebted to the former holder of, or transmittee entitled to, the shares for an amount equal to the net proceeds. No trust is created in respect of the debt and no interest is payable in respect of it, and the company is not required to account for any money earned from the net proceeds, which may be employed in the business of the company or as it thinks fit.

#### DISCLOSURE OF INTERESTS IN SHARES

#### 77. SUSPENSION OF RIGHTS WHERE NON-DISCLOSURE OF INTEREST

- 77.1 Where the holder of any shares, or any other person appearing to be interested in those shares:

77.1.1 fails to comply within the relevant period with any statutory notice in respect of those shares;  
or

77.1.2 in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular,

the company may give the holder of those shares a further notice (a **restriction notice**) to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions, and from service of the restriction notice those shares are, notwithstanding any other provision of the articles, subject to those relevant restrictions.

- 77.2 If, after the service of a restriction notice in respect of any shares, the directors are satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in them has been supplied, the company must, within seven days, cancel the restriction notice.

- 77.3 The company may at any time, at its discretion, cancel any restriction notice or exclude any share from it.
- 77.4 A restriction notice automatically ceases to have effect in respect of any shares transferred where the transfer is pursuant to an arm's length sale of those shares.
- 77.5 Where any restriction notice is cancelled or ceases to have effect in relation to any shares, any money relating to those shares which was withheld by reason of that notice must be paid, without interest, to the person who would but for the notice have been entitled to it or as he may direct.
- 77.6 Any new shares issued in right of any shares subject to a restriction notice are also subject to the restriction notice, and the directors may make any right to an allotment of the new shares subject to restrictions corresponding to those which apply to those shares by reason of the restriction notice when such shares are issued. Any relevant restrictions applying to, or to a right to, new shares by virtue of this article 77.6 must cease to have effect when the relevant restrictions applying to the shares subject to a restriction notice cease to have effect.
- 77.7 Any holder of shares on whom a restriction notice has been served may at any time request the company to give in writing the reason why the restriction notice has been served, or why it remains uncanceled, and within 14 days of receipt of such a notice the company must give that information.
- 77.8 If a statutory notice is given to a person appearing to be interested in any share, a copy must at the same time be given to the holder, but the failure or omission to do so, or the non-receipt of the copy by the holder, does not invalidate such notice.
- 77.9 This article 77 is in addition to, and does not in any way prejudice or affect, the statutory rights of the company arising from any failure by any person to give any information required by a statutory notice within the time specified in it. For the purpose of this article a statutory notice need not specify the relevant period, and may require any information to be given before the expiry of the relevant period.
- 77.10 In this article 77:
- 77.10.1 a sale is an **arm's length sale** if the directors are satisfied that it is a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the holder or with any person appearing to be interested in such shares. It includes a sale made by way of or in pursuance of acceptance of a takeover offer and a sale made through the London Stock Exchange or any other stock exchange outside the United Kingdom on which the company's

shares are normally traded. For this purpose an associate (within the definition of that expression in section 435 of the Insolvency Act 1986) is included among the persons who are connected with the holder or any person appearing to be interested in such shares;

77.10.2 **person appearing to be interested** in any shares means any person named in a response to a statutory notice or otherwise notified to the company by a shareholder as being so interested or shown in any register or record kept by the company under the Companies Acts as so interested or, taking into account a response or failure to respond in the light of the response to any other statutory notice and any other relevant information in the possession of the company, any person whom the company knows or has reasonable cause to believe is or may be so interested, and **interested** shall be construed as it is for the purposes of Part 22 of the Companies Act 2006;

77.10.3 **person with a 0.25 per cent interest** means a person who holds, or is shown in any register or record kept by the company under the Companies Acts as having an interest in, shares which comprise in total at least 0.25 per cent in number or nominal value of the shares of the company (calculated exclusive of any shares held as treasury shares), or of any class of such shares (calculated exclusive of any shares of that class held as treasury shares), in issue at the date of service of the statutory notice or the restriction notice (as the case may be);

77.10.4 **relevant period** means 14 days;

77.10.5 **relevant restrictions** means in the case of a restriction notice served on a person with a 0.25 per cent interest that:

- (a) the shares do not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings;
- (b) the directors may withhold payment of all or any part of any dividends or other money payable in respect of the shares and the holder is not entitled to receive shares in lieu of dividend; and
- (c) the directors may decline to register a transfer of the shares or any of them which are certificated shares, unless such a transfer is pursuant to an arm's length sale or unless the holder of the shares has not himself failed to comply with the relevant

statutory notice or proves to the satisfaction of the directors that no person who has failed to comply is interested in any of the shares the subject of the transfer,

and in any other case means only the restriction specified in sub-paragraph (a) of this definition; and

77.10.6 **statutory notice** means a notice served by the company under the Companies Acts requiring particulars of interests in shares or of the identity of persons interested in shares.

#### **ALTERATION OF SHARE CAPITAL**

**78. NOT USED**

**79. PROCEDURE FOR DISPOSING OF FRACTIONS OF SHARES ON CONSOLIDATION**

79.1 This article applies where:

79.1.1 there has been a consolidation or division of shares; and

79.1.2 as a result, shareholders are entitled to fractions of shares.

79.2 The directors may:

79.2.1 sell the shares representing the fractions to any person including the company for the best price reasonably obtainable;

79.2.2 in the case of a certificated share, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser; and

79.2.3 distribute the net proceeds of sale in due proportion among the holders of the shares.

79.3 Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the directors, that holder's portion may be distributed to an organisation which is a charity for the purposes of the law of Scotland, England and Wales or Northern Ireland.

79.4 The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.

79.5 The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale.

**80. NOT USED**

**81. NOT USED**

## **DISTRIBUTIONS**

### **82. PROCEDURE FOR DECLARING DIVIDENDS**

82.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.

82.2 A dividend must not be declared by ordinary resolution unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.

82.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

82.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution to declare or decision to pay it.

82.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.

82.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

82.7 If the directors act in good faith they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

**83. CALCULATION OF DIVIDENDS**

83.1 Except as otherwise provided by the articles, the rights attached to shares or the terms of issue thereof, all dividends must be:

83.1.1 declared and paid according to the amounts paid up on the shares on which the dividend is paid; and

83.1.2 apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

83.2 If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly.

83.3 For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

**84. PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS**

84.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

84.1.1 transfer to a bank or building society account specified by the distribution recipient in writing or by such other means as the directors decide;

84.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient in writing or by such other means as the directors decide;

84.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified in writing or by such other means as the directors decide;

84.1.4 any other means of payment (including by the allotment or transfer of further shares in accordance with the articles) as the directors agree with the distribution recipient in writing or by such other means as the directors decide; or

84.1.5 by such other means as the directors in their absolute discretion consider appropriate.

84.2 In the articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable:

84.2.1 the holder of the share; or

84.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

84.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

84.3 Any cheque sent by post pursuant to article 84.1 is sent at the risk of the person entitled to the money represented by the cheque.

84.4 If the directors elect to make payments by transfer to a bank or building society specified by a distribution recipient, but no such account is nominated by the distribution recipient, or a transfer into a specified account is rejected or refunded, the company may credit the amount payable to an account of the company to be held until the distribution recipient specifies a valid account.

84.5 An amount credited to an account under article 84.4 is to be treated as having been paid to the distribution recipient entitled to it at the time it is credited to that account. The company will not be a trustee of any such monies and no interest will accrue on such monies.

84.6 The company will not pay interest on any dividend or other money due to a distribution recipient in respect of a share, unless the rights attaching to any such share provide otherwise.

## **85. DEDUCTIONS FROM DISTRIBUTIONS IN RESPECT OF SUMS OWED TO THE COMPANY**

85.1 If:

85.1.1 a share is subject to the company's lien; and

85.1.2 the directors are entitled to issue a lien enforcement notice in respect of it,

they may, instead of issuing a lien enforcement notice, deduct from any dividend or other sum payable in respect of the share any sum of money which is payable to the company in respect of that share to the extent that they are entitled to require payment under a lien enforcement notice.

85.2 Money so deducted must be used to pay any of the sums payable in respect of that share.

85.3 The company must notify the distribution recipient in writing of:

85.3.1 the fact and amount of any such deduction;

85.3.2 any non-payment of a dividend or other sum payable in respect of a share resulting from any such deduction; and

85.3.3 how the money deducted has been applied.

**86. NO INTEREST ON DISTRIBUTIONS**

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

86.1 the terms on which the share was issued; or

86.2 the provisions of another agreement between the holder of that share and the company.

**87. UNCLAIMED DISTRIBUTIONS**

87.1 All dividends or other sums which are:

87.1.1 payable in respect of shares; and

87.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

87.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

87.3 If:

87.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

87.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

- 87.4 The company may cease to send any cheque for a dividend in respect of a share which is normally paid in that way if, in respect of three consecutive dividends payable on that share, the cheque has been returned undelivered or remains uncashed. The company must, subject to the articles, recommence sending cheques for the dividends on that share if the distribution recipient claims the arrears of dividends and does not instruct the company to pay future dividends in some other way.

## **88. NON-CASH DISTRIBUTIONS**

- 88.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

- 88.2 If the shares in respect of which such a non-cash distribution is paid are uncertificated, any shares in the company which are issued as a non-cash distribution in respect of them must be uncertificated.

- 88.3 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

88.3.1 fixing the value of any assets;

88.3.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

88.3.3 vesting any assets in trustees.

## **89. WAIVER OF DISTRIBUTIONS**

Distribution recipients may waive their entitlement to a dividend or other sum payable in respect of a share by giving the company notice in writing to that effect, but if:

- 89.1 the share has more than one holder; or

- 89.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

**90. SCRIP DIVIDENDS**

The directors may, if authorised by an ordinary resolution, offer any holders of shares (excluding any shareholder holding shares as treasury shares) the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the directors) of any dividend specified by the ordinary resolution, and any such offer may be made subject to the condition that any required authorisation by an ordinary resolution of the company is passed before the relevant ordinary shares are allotted if such authorisation has not been obtained by the date of such offer. The following provisions apply:

- 90.1 an ordinary resolution may specify some or all of a particular dividend (whether or not already declared) or may specify some or all of any dividends declared or paid within a specified period, but that period may not end later than the fifth anniversary of the date of the meeting at which the ordinary resolution is passed;
- 90.2 the entitlement of each holder of shares to new shares must be such that the relevant value of the entitlement is as nearly as possibly equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forego;
- 90.3 for this purpose **relevant value** is calculated by reference to the average of the middle market quotations for the shares on the London Stock Exchange, as derived from the Daily Official List, on the day on which the shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as may be determined by or in accordance with the ordinary resolution;
- 90.4 a certificate or report by the auditors as to the amount of the relevant value in respect of any dividend is conclusive evidence of that amount, and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit;
- 90.5 no fraction of any share may be allotted. The directors may make such provisions as they think fit for any fractional entitlements, including, without limitation, provisions:
  - 90.5.1 whereby, in whole or in part, the benefit thereof accrues to the company;
  - 90.5.2 under which fractional entitlements are accrued and/or retained and in each case accumulated on behalf of any shareholder and such accruals or retentions are

applied to the allotment by way of bonus to, or cash subscription on behalf of, such shareholder of fully paid shares; or

- 90.5.3 whereby cash payments may be made to shareholders in respect of their fractional entitlements;
- 90.6 the directors, if they intend to offer an election in respect of any dividend, must give notice to the holders of shares of the right of election offered to them, and specify the procedure to be followed and the place at which, and the latest time by which, elections must be lodged in order for elections to be effective (which time may be before, on or after the date on which any authorisation under this article 90 is passed);
- 90.7 no such notice need be given to holders of shares who have previously given election mandates in accordance with this article 90 (including any holders deemed to have previously given such a mandate under article 90.16 if they have been given notice of such deemed election on at least one occasion) and whose mandates have not been revoked;
- 90.8 the accidental omission to give notice of any right of election to, or the non-receipt of any such notice by, any holder of shares entitled to the same neither invalidates any offer of an election nor gives rise to any claim, suit or action;
- 90.9 the directors must not proceed with any election unless the company has sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined;
- 90.10 the directors may exclude from any offer or make other arrangement in relation to any holders of shares where the directors believe that such exclusion or arrangement is necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or the directors believe that for any other reason the offer should not be made to them;
- 90.11 the dividend (or that part of the dividend in respect of which a right of election has been offered) is not payable on shares in respect of which an election has been made (for the purposes of this article the **elected shares**) and instead new shares must be allotted to the holders of the elected shares on the basis of allotment calculated as stated. For such purposes the directors must:

- 90.11.1 capitalise, out of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution as the directors may determine, a sum equal to the aggregate nominal amount of the new shares to be allotted on that basis; and
- 90.11.2 apply it in paying up in full the appropriate number of unissued shares for allotment and distribution to the holders of the elected shares on that basis;
- 90.12 if:
- 90.12.1 the directors specify a latest time for lodging elections in respect of a final dividend which is after the time at which that dividend is declared (the **time of declaration**); and
- 90.12.2 in accordance with this procedure, a holder lodges an election to receive new shares instead of some or all of his cash dividend after the time of declaration,
- no liability on the company to pay a liquidated sum equal to the cash dividend which the holder would have received but for the election is treated as having arisen at the time of declaration. Accordingly, the new shares allotted in satisfaction of the election are treated as allotted for a consideration other than cash.
- 90.13 the new shares, when allotted, rank *pari passu* in all respects with the fully-paid shares then in issue except that they are not entitled to participation in the relevant dividend;
- 90.14 unless the directors otherwise decide, or unless the relevant rules (as defined in article 57.1) otherwise require, the new shares which a holder has elected to receive instead of cash in respect of the whole (or some part) of the specified dividend declared or paid in respect of his elected shares must be in uncertificated form in respect of the holder's elected shares which were uncertificated shares on the date of the holder's election) and in certificated form (in respect of the holder's elected shares which were in certificated shares on the date of the holder's election);
- 90.15 the directors may also from time to time establish or vary a procedure for election mandates, under which a holder of shares may elect in respect of future rights of election offered to that holder under this article 90 until the election mandate is revoked in accordance with the procedure;

90.16 subject to the passing of resolution numbered 14 as set out in the notice of the annual general meeting of the company convened for 22 July 2010, for the purposes of this article 90, each participant in the Scottish and Southern Energy plc dividend reinvestment plan at midnight (UK time) at the end of 22 July 2010 (the **effective time**) (and whether or not such dividend plan shall then or subsequently be terminated or suspended) is deemed to have elected by mandate to receive ordinary shares, credited as fully paid, instead of cash, on the terms and subject to the conditions of the company's scrip dividend scheme as from time to time in force, in respect of the whole of each dividend payable (but for such election) after the effective time (and whether such dividend is declared before, at or after such time) in respect of which the right to receive such ordinary shares instead of cash is made available, until such time as such deemed election mandate is revoked, or deemed to be revoked, in accordance with the procedure referred to in article 90.15. Such deemed election does not apply if and to the extent that the directors so determine at any time and from time to time either for all cases or in relation to any person or class of persons. The reference in article 90.12.2 to a holder lodging an election to receive new shares includes a reference to a holder who is deemed to have given an election mandate under this article 90.16.

90.17 the directors may decide how any costs relating to making new shares available in place of a cash dividend will be met, including deciding to deduct an amount from the entitlement of a holder under this article; and

90.18 at any time before new shares are allotted instead of cash in respect of any part of a dividend, the directors may decide that such new shares will not be allotted. Any such decision may be made before or after any election has been made by holders in respect of the relevant dividend.

## **CAPITALISATION OF PROFITS**

### **91. AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS**

91.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:

91.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and

- 91.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.
- 91.2 Capitalised sums must be applied:
- 91.2.1 on behalf of the persons entitled; and
- 91.2.2 in the same proportions as a dividend would have been distributed to them.
- 91.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 91.4 A capitalised sum which was appropriated from profits available for distribution may be applied:
- 91.4.1 in or towards paying up any amounts unpaid on existing shares held by the persons entitled; or
- 91.4.2 in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 91.5 Subject to the articles, the directors may:
- 91.5.1 apply capitalised sums in accordance with articles 91.3 and 91.4 partly in one way and partly in another;
- 91.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article 91 (including the issuing of fractional certificates or the making of cash payments); and
- 91.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article 91.

**PART 5**  
**MISCELLANEOUS PROVISIONS**

**COMMUNICATIONS**

**92. MEANS OF COMMUNICATION TO BE USED**

92.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

92.2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

92.3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

92.4 Without prejudice to any other means of communication, the company may send or supply any document or information that is required or authorised to be sent or supplied by the company:

92.4.1 by a provision of the Companies Acts;

92.4.2 pursuant to the articles; or

92.4.3 pursuant to any other rules or regulations to which the company may be subject,

by making it available on a website (and in particular may make it available on a website to shareholders who do not elect to receive it in electronic form or hard copy form).

The provisions of the Companies Act 2006 which apply when documents sent under the Companies Acts are made available on a website shall also apply, with any necessary changes, when any document or information is sent or supplied under the articles or any other rules or regulations to which the company may be subject by making it available on a website.

92.5 In its application to the company, section 1147(2) of the Companies Act 2006 (deemed receipt of documents or information sent by post) has effect (except where second-class mail is employed) as if "24 hours" were substituted for "48 hours".

**93. ADDRESSES AND OTHER CONTACT DETAILS**

93.1 Anything sent to a shareholder under the articles may be sent to that shareholder's address as registered in the register of members, unless:

93.1.1 the shareholder and the company have agreed that another means of communication is to be used; and

93.1.2 the shareholder has supplied the company with the information it needs in order to be able to use that other means of communication.

93.2 Any notice or document sent to a director may be sent to that director's address as registered in the register of directors, unless:

93.2.1 the director and the company have agreed that another means of communication is to be used; and

93.2.2 the director has supplied the company with the information it needs in order to be able to use that other means of communication.

93.3 Nothing in articles 93.1 and 93.2 restricts the sending of a notice or document to any other address to which any provision of the Companies Acts authorises the notice or document to be sent or supplied.

93.4 A shareholder (meaning, for this purpose, in the case of joint holders, the person first named in the register of members) whose address on the register of members is outside the United Kingdom may give the company a United Kingdom address where notices or documents may be sent to him, or an address to which notices and documents may be sent in electronic form. If he does so, he is entitled to have notices or documents sent to him at that address. Otherwise, he is not entitled to receive any notices and documents from the company.

**94. FAILURE TO NOTIFY CONTACT DETAILS**

94.1 If:

94.1.1 the company sends two consecutive documents to a shareholder over a period of at least twelve months; and

94.1.2 each of those documents is returned undelivered, or the company receives notification that it has not been delivered;

that shareholder ceases to be entitled to receive notices from the company.

94.2 A shareholder who has ceased to be entitled to receive notices from the company shall become entitled to receive such notices again by sending the company:

94.2.1 a new address to be recorded in the register of members; or

94.2.2 if the shareholder has agreed that the company should use a means of communication other than sending things to such an address, the information that the company needs to use that means of communication effectively.

## **ADMINISTRATIVE ARRANGEMENTS**

### **95. COMPANY SEALS**

95.1 Any common seal may only be used by the authority of the directors.

95.2 The directors may decide by what means and in what form any common seal or securities seal is to be used.

95.3 Without prejudice to article 95.8, if the company has a common seal the directors may determine who shall sign any document to which it is affixed and, unless otherwise so determined, it must be subscribed by two directors of the company, by a director and the company secretary, or by two authorised persons.

95.4 For the purposes of this article, an authorised person is any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

95.5 If the company has an official seal for use abroad, it may only be affixed to a document if its use on that document, or documents of a class to which it belongs, has been authorised by a decision of the directors.

95.6 If the company has a securities seal, it may only be affixed to securities by the company secretary or a person authorised to apply it to securities by the company secretary. Securities which have the securities seal affixed to them do not need to be signed.

95.7 For the purposes of the articles, references to the securities seal being affixed to any document include the reproduction of the image of that seal on or in a document by any mechanical or

electronic means which has been approved by the directors in relation to that document or documents of a class to which it belongs.

95.8 If the directors think fit, they may decide, in relation to specific documents, or documents belonging to a specific class, to which the common seal is affixed, that the signatures referred to in article 95.3, or either of them:

95.8.1 may be a copy or representation of such signature made or produced by any mechanical or electronic means or in any other way the directors approve ; or

95.8.2 may be dispensed with.

## **96. DESTRUCTION OF DOCUMENTS**

96.1 The company is entitled to destroy:

96.1.1 all instruments of transfer of shares which have been registered, and all other documents on the basis of which any entries are made in the register of members, from six or more years after the date of registration;

96.1.2 all dividend mandates, variations or cancellations of dividend mandates, and notifications of change of address, from two years after they have been recorded;

96.1.3 all share certificates which have been cancelled from one year after the date of the cancellation;

96.1.4 all paid dividend warrants and cheques from one year after the date of actual payment; and

96.1.5 all proxy notices from one year after the end of the meeting to which the proxy notice relates.

96.2 If the company destroys a document in good faith, in accordance with the articles, and without notice of any claim to which that document may be relevant, it is conclusively presumed in favour of the company that:

96.2.1 entries in the register purporting to have been made on the basis of an instrument of transfer or other document so destroyed were duly and properly made;

96.2.2 any instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;

96.2.3 any share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and

96.2.4 any other document so destroyed was a valid and effective document in accordance with its recorded particulars in the books or records of the company.

96.3 This article 96 does not impose on the company any liability which it would not otherwise have if it destroys any document before the time at which this article permits it to do so.

96.4 In this article 96, references to the destruction of any document include a reference to its being disposed of in any manner.

**97. NO RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS**

Except as provided by law or authorised by the directors or ordered by a court of competent jurisdiction, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

**98. PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS**

The directors may make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

**99. AUTHENTICATION OF CERTIFICATES FOR DEBENTURES**

Certificates for bonds or other debentures issued by the company may be executed:

99.1 in the same manner as share certificates;

99.2 in such manner as may be prescribed by the terms and conditions relating to such bonds or other debentures; or

99.3 (except to the extent that such terms and conditions otherwise provide) in such manner as the directors may decide, either generally or in any particular case or cases.

The terms and conditions may provide, or the directors may decide, that any signature on such certificates on behalf of the company may be a copy or representation of an autographic signature made or produced by any mechanical or electronic means or in any other way the directors approve.

## DIRECTORS' INDEMNITY AND INSURANCE

### 100. INDEMNITY

100.1 Subject to the provisions of the Companies Act 2006, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer of the company (other than any person (whether an officer or not) engaged by the company as auditor) shall be indemnified out of the assets of the company against:

100.1.1 any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the company;

100.1.2 any liability incurred by him in connection with the company's activities as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006); or

100.1.3 any other liability incurred by him in relation to the company or its affairs;

provided that this article 100.1 shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this article 100.1, or any element of it, to be treated as void under the Companies Acts.

100.2 Without prejudice to article 100.1 or to any indemnity to which a director may otherwise be entitled, to the extent permitted by the Companies Acts and otherwise upon such terms and subject to such conditions as the directors may in their absolute discretion think fit, the directors shall have power to make arrangements to provide a director with funds to meet expenditure incurred or to be incurred by him:

100.2.1 in defending any criminal or civil proceedings or in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the company or any associated company; or

100.2.2 in defending himself in an investigation by a regulatory authority, or against action proposed to be taken by a regulatory authority, in connection with any such alleged negligence, default, breach of duty or breach of trust as foresaid, or

100.2.3 in connection with any application referred to in section 205(5) of the Companies Act 2006.

or to enable a director to avoid incurring such expenditure.

100.3 In article 100.1 **liability** includes costs, charges, losses and expenses. For the purposes of article 100.2, **associated company** is to be read in accordance with section 256 of the Companies Act 2006.

## 101. INSURANCE

101.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer in respect of any relevant loss.

101.2 In this article 101:

101.2.1 a **relevant officer** means any director or former director of the company, or of an associated company, any other officer or employee or former officer or employee of the company or of an associated company, (other than the auditors), or any trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006) or an employees' share scheme of the company or of an associated company;

101.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the company, any associated company or any occupational pension scheme or employees' share scheme of the company or of an associated company; and

101.2.3 **associated company** has the meaning given in article 100.3.

## DEPOSITARIES

### 102. AUTHORISED DEPOSITARIES

102.1 In this article 102, an **ADR Depositary** means a person (or his nominee) who meets all of the following conditions:

102.1.1 the person is a custodian or depositary appointed under contractual arrangements with the company or other contractual arrangements approved by the directors;

102.1.2 under those contractual arrangements, the person or the nominee holds shares; and

- 102.1.3 the person issues American depositary receipt evidencing rights in relation to those shares or a right to receive them.
- 102.2 If a statutory notice (as defined in article 77.10.6) is served on a holder of shares and that holder is an ADR Depositary acting in its capacity as such, the obligations of the ADR Depositary as a holder of shares is limited to disclosing to the company such information relating to the shares in question as has been recorded by it pursuant to the terms of any agreement entered into between the ADR Depositary and the company.
- 102.3 Where any person appearing to be interested (as defined in article 77.10.2) in shares has been served with a statutory notice (as defined in article 77.10.6) and the shares in which he appears to be interested are held by an ADR Depositary, that notice and the provisions of article 77 shall be treated as applying only to those shares held by the ADR Depositary in which such person appears to be interested and not (insofar as such person's apparent interest is concerned) to any other shares held by the ADR Depositary.

## SCHEDULE – BORROWING RESTRICTION

### 1. **Limit**

The directors must:

- 1.1 limit the borrowings of the company; and
- 1.2 exercise all voting and other rights or powers of control exercisable by the company in relation to its subsidiary undertakings;

so as to ensure that the aggregate amount of all borrowings by the group outstanding at any time is not more than three times the adjusted capital and reserves.

This limit on borrowings only affects subsidiary undertakings of the company to the extent that the directors can restrict the borrowings of those subsidiary undertakings by exercising the company's rights and powers of control over such subsidiary undertakings.

The limit on borrowings can be exceeded if the consent of the shareholders has been given in advance by passing an ordinary resolution.

The limit does not include borrowings owed by one member of the group to another member of the group (subject to paragraph 2.2.3).

### 2. **Definitions**

For the purposes of this schedule:

#### 2.1 **adjusted capital and reserves** means a sum equal to the aggregate of:

- 2.1.1 the amount paid up on the issued share capital of the company and on such of the share capital as is allotted but not issued; and
- 2.1.2 the amount standing to the credit of all reserves;

all as shown in the relevant balance sheet but after:

- 2.1.3 deducting any debit balance on profit and loss account or any reserve;
- 2.1.4 making all adjustments which are, in the opinion of the directors, necessary or appropriate to take account of a variation in the amounts referred to in paragraphs 2.1.1 and 2.1.2 since the

date of the relevant balance sheet arising out of the allotment of shares in the capital of the company.

For this purpose, if a proposed allotment or issue of shares by the company for cash has been underwritten, then such shares are deemed to have been allotted or issued, and the amount (including any premium) of the subscription money payable in respect of those shares (not being money payable later than six months after the date of allotment or issue) is, to the extent so underwritten, deemed to have been paid up, on the date when the allotment or issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional);

- 2.1.5 deducting (so far as not already deducted or provided for) the amount of a distribution declared, recommended or paid by a member of the group to a person other than a member of the group out of profits accrued up to and including the date of, but not provided for in, the relevant balance sheet;
  - 2.1.6 making all adjustments which are, in the opinion of the directors, necessary or appropriate to reflect any variation in the interests of the company in any other member of the group (including a variation whereby a subsidiary undertaking of the company becomes, or ceases to be, such a subsidiary undertaking) since the date of the relevant balance sheet;
  - 2.1.7 if the calculation is required for the purposes of, or in connection with, a transaction under or in connection with which any undertaking is to become or cease to be a subsidiary undertaking of the company, making all adjustments which are, in the opinion of the directors, necessary or appropriate if such transaction had been carried into effect; and
  - 2.1.8 excluding any sums attributable to minority interests in subsidiary undertakings of the company, to the extent not already excluded;
- 2.2 **borrowings** means all money borrowed by the group. In calculating borrowings for the purposes of this schedule:
- 2.2.1 amounts borrowed by a member of the group for the purpose of repaying (with or without a premium) all or any part of any other borrowings falling to be taken into account, and intended to be applied for such purpose within six months of being borrowed, are not to be taken into account pending their use for such purpose;
  - 2.2.2 amounts borrowed by a partly-owned subsidiary undertaking which are not owed to another member of the group are to be taken into account (except that a proportion of the borrowings equal to the minority proportion is to be excluded);

- 2.2.3 amounts borrowed by a member of the group which are owed to a partly-owned subsidiary undertaking are to be taken into account to the extent of a proportion of the borrowings equal to the minority proportion;
- 2.2.4 amounts borrowed by a subsidiary undertaking before it became a member of the group are not to be taken into account until six months after the date it became a member of the group;
- 2.2.5 amounts secured on an asset of a member of the group before it was acquired by a member of the group are not to be taken into account until six months after the date of the acquisition;
- 2.2.6 if the amount of the borrowings is being calculated in connection with a transaction involving a company becoming or ceasing to be a member of the group, the amount is to be calculated as if the transaction had already occurred;
- 2.2.7 the nominal amount of any allotted and issued paid up share capital (other than equity share capital) of any subsidiary undertaking not beneficially owned, directly or indirectly, by another member of the group is to be taken into account;
- 2.2.8 the principal amount of any borrowings of any person, the redemption or repayment of which is guaranteed or secured (wholly or partly), or the subject of an indemnity granted, by a member of the group is to be taken into account (except so far as such amount is otherwise taken into account as money borrowed by a member of the group);
- 2.2.9 any amount raised by acceptance under an acceptance credit facility is to be taken into account;
- 2.2.10 any amount raised under a note purchase facility is to be taken into account;
- 2.2.11 borrowings for the purpose of financing a contract are not to be taken into account to the extent that the price receivable under the contract is guaranteed or insured by the Export Credit Guarantee Department of the Department for Business, Innovation and Skills or by another person fulfilling a similar function;
- 2.2.12 the amount of any liability in respect of a lease or hire purchase agreement which would, in accordance with then current International Financial Reporting Standards, be treated as a finance lease is to be taken into account;
- 2.2.13 if this paragraph 2.2 provides that an amount is not to be taken into account, any guarantees or indemnities given by a member of the group in relation to that amount are not to be taken into account;

- 2.2.14 any premium payable on final redemption or repayment of any borrowings falling to be taken into account is also to be so taken into account, and any premium payable on final redemption or repayment of an amount not to be so taken into account is also not to be so taken into account;
- 2.2.15 borrowings incurred by a member of the group for the purpose of complying with any direction issued under section 34 or 96 of the Electricity Act 1989 are not to be taken into account;
- 2.2.16 no amount is to be taken into account more than once in any calculation of borrowings; and
- 2.2.17 there is to be credited against borrowings:
- (a) all cash in hand and cash deposits freely remittable with any bank or financial institution (not itself a member of the group); and
  - (b) investments which are readily convertible into known amounts of cash with notice of 48 hours or less;
- (in each case beneficially owned, directly or indirectly, by a member of the group and whether denominated in sterling or in a currency other than sterling); and
- (c) the amount of any cash securing the repayment by the group of any borrowings by the group;
- if any item falling within (a), (b) or (c) above is beneficially owned, directly or indirectly, by a partly-owned subsidiary undertaking, a proportion thereof equal to the minority proportion is not to be credited;
- 2.3 **group** means the company and its subsidiary undertakings for the time being;
- 2.4 **minority proportion** means the proportion of the issued equity share capital of a partly-owned subsidiary undertaking which is not, for the time being, beneficially owned by the group; and
- 2.5 **relevant balance sheet** means, at any time, the latest audited consolidated balance sheet dealing with the state of affairs of the company and (with or without exceptions) its subsidiary undertakings which has been prepared for the purposes of the Companies Acts in accordance with the historical cost and fair value conventions and approved by the directors, and on which the auditors have made their report pursuant to the Companies Acts.

### 3. Rates of exchange

3.1 When the amount of borrowings to be taken into account for the purposes of this schedule on a particular day is being calculated, money denominated or repayable in a currency other than sterling is to be converted for the purpose of calculating the sterling equivalent either:

3.1.1 at the rate of exchange specified in a forward purchase contract, currency option, back-to-back loan, swap or other arrangement taken out or entered into to reduce the risk associated with fluctuations in rates of exchange in respect of repayment of those borrowings (a **hedging agreement**); or

3.1.2 if that money was borrowed on or before the date of the relevant balance sheet and repayment of the money has not been covered by a hedging agreement, at the more favourable to the company of:

(a) the rate of exchange used for the conversion of that currency in the relevant balance sheet; or

(b) the middle-market rate of exchange quoted by The Royal Bank of Scotland plc at 11.00am in London on the business day immediately preceding the day on which the calculation falls to be made; or

3.1.3 if that money was borrowed after the date of the relevant balance sheet and repayment of the money has not been covered by a hedging agreement, at the more favourable to the company of:

(a) the middle-market rate of exchange quoted by The Royal Bank of Scotland plc at 11.00am in London on the date of the relevant balance sheet; or

(b) the middle-market rate of exchange quoted by The Royal Bank of Scotland plc at 11.00am in London on the business day immediately preceding the day on which the calculation falls to be made.

3.2 The company will not be in breach of the limit on borrowings in paragraph 1 by reason of the limit being exceeded as a result only of any fluctuation in rates of exchange, provided that within six months of the directors becoming aware of any such fluctuation which would, but for this provision, have caused such a breach, the aggregate amount of borrowings to be taken into account is reduced to an amount not exceeding the limit.

#### 4. **Certification**

4.1 A certificate or report given by the auditors or an independent firm of accountants chosen by the directors certifying or reporting:

4.1.1 on the total amount of borrowings by the group outstanding at a particular time;

4.1.2 on the amount of the adjusted capital and reserves; or

4.1.3 to the effect that the limit on borrowings imposed by this schedule has not been, or will not be, exceeded at any particular time or times or as a result of any particular transaction or transactions;

will be conclusive evidence of that amount or of that fact.

4.2 The directors can nevertheless rely on a *bona fide* estimate of the amount of borrowings or the amount of the adjusted capital and reserves. If, in consequence, the limit on borrowings in paragraph 1 is accidentally exceeded, an amount of borrowings equal to the excess can be disregarded until six months after the date on which the directors became aware that this situation had, or might have, arisen.

4.3 For the purposes of their computation in relation to giving a certificate or report under paragraph 4.1, the auditors or the firm of accountants may at their discretion make such further or other adjustment (if any) as they think fit.

#### 5. **Validity of borrowing arrangements**

No lender or other person dealing with the group needs to see or enquire whether the limit on borrowings imposed by this schedule is observed. No debt incurred or security given in excess of this borrowing limit will be invalid or ineffective unless the lender or the recipient of the security had express notice, at the time when the debt was incurred or security given, that the limit had been or would be exceeded as a result.



A

COMPANY NO. SC117119

A PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

of

SCOTTISH AND SOUTHERN ENERGY plc

(Amended by the Companies Act 2006)

WE, the several persons whose Names, Addresses and Descriptions are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names.

Names, Addresses and Descriptions of Subscribers	Number of Shares taken by each Subscriber
Agnes Robson New St Andrew's House Edinburgh Civil Servant	One
George Cartner Duke New St Andrew's House Edinburgh Civil Servant	One

Dated 20th day of March 1989

WITNESS to the above signatures.

Lynda Ann Towers  
Solicitor  
New St Andrew's House  
Edinburgh



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