

**THE COMPANIES ACT 1985**



**COMPANY LIMITED BY SHARES**

**NEW ARTICLES OF ASSOCIATION**

**Adopted by Special Resolution passed on 2 May 1997**

**of**

**ACCORD ENERGY LIMITED**

**PRELIMINARY**

- 1 The regulations contained in Table A in The Companies (Tables A to F) Regulations 1985 (as amended so as to affect companies first registered on the date of the adoption of these Articles) shall, except as hereinafter provided and so far as not inconsistent with the provisions of these Articles, apply to the Company to the exclusion of all other regulations or Articles of Association. References herein to regulations are to regulations in the said Table A unless otherwise stated.

**SHARE CAPITAL**

- 2 The share capital of the Company at the date of the adoption of these Articles is £1,000,000 divided into 51 Ordinary Shares of £1 each and 196 Participating Preference Shares of £1 each (the "**Participating Preference Shares**") having the rights and subject to the limitations and restrictions set out in Article 3 and 999,753 unclassified shares of £1 each.
  - 2.1 Subject to Section 80 of the Act, all unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them to such persons, at such times, and on such terms as they think proper.
  - 2.2 Pursuant to and in accordance with Section 80 of the Act, the Directors shall be generally and unconditionally authorised to exercise during the period of five years from the date of adoption of these Articles all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £10,000 and by such authority the Directors may make offers or agreements which would or might require the allotment of relevant securities after the expiry of such period.
  - 2.3 Section 89(1) of the Act shall not apply to the allotment by the Company of equity securities.
  - 2.4 Words and expressions defined in or for the purposes of the said Section 80 or the said Section 89 shall bear the same meanings in this Article.

**Participating Preference Shares**

- 3 The following are the rights of the Participating Preference Shares and the limitations and restrictions to which they are subject:
  - 3.1 **Income**
    - 3.1.1 Out of the profits available for distribution and resolved to be distributed, the holders of the Participating Preference Shares shall be entitled in priority to any payment of dividend to the holders of any other class of shares (other than any Further Participating Preference Shares referred to in paragraph 4 below) to be paid in respect of each year ended 31 December, commencing with the year ended 31 December 1997, a cumulative preferential dividend equal to the amounts set out in paragraph 3.1.2 below ("**Preference Dividends**") (exclusive of any associated tax credit available to shareholders), one-half of such dividend to be paid on each of 31 July and 31 December of the year in question (or, if any such date shall be a Saturday, Sunday or

public holiday in England, on the first Business Day preceding such date) ("fixed dividend dates"). Payments of Preference Dividends shall be made to holders on the register on the date of payment. The holders of the Participating Preference Shares shall not be entitled to any further right of participation in the profits of the Company.

- 3.1.2 Subject to Articles 3.1.3, the Preference Dividends shall be for every 49 Participating Preference Shares held, as follows:-

Year ending 31 December	Annual Total	Payment dates	
		31 July	31 December
	£m	£m	£m
1997	13.4	6.7	6.7
1998	13.4	6.7	6.7
1999	13.4	6.7	6.7
2000	10.816	5.616	5.2
2001	10.4	5.2	5.2
2002	10.4	5.2	5.2
2003	10.4	5.2	5.2
Thereafter	1.0 per annum	0.5	0.5

- 3.1.3 The Company shall be entitled to pay all or part of any Preference Dividends payable under paragraph 3.1.2 above in advance of the fixed dividend dates for payment thereof.

### 3.2 Capital

- 3.2.1 On a return of capital on winding-up or otherwise, the holders of the Participating Preference Shares shall be entitled in priority to any payment to the holders of any other class of shares to the repayment of a sum equal to the nominal capital paid up or credited as paid up on the Participating Preference Shares held by them respectively together with a sum equal to all arrears and accruals (if any) of the said preference dividend irrespective of whether or not such dividend has been declared or earned or become due and payable, to be calculated down to and including the date of commencement of the winding-up (in the case of a winding-up) or the return of capital (in any other case). The holders of the Participating Preference Shares shall not be entitled to any further right of participation in the assets of the Company.

### 3.3 Voting and General Meetings

- 3.3.1 Subject to paragraph 3.3.2 below, the holders of the Participating Preference Shares shall, by virtue of and in respect of their holdings of Participating Preference Shares, have the right to receive notice of, attend, speak and vote at a General Meeting of the Company.
- 3.3.2 The Participating Preference Shares in issue at any time shall carry, in aggregate, 40% of the voting rights at the General Meetings of the Company on any resolution proposed at such meeting, so that each holder of the Participating Preference Shares shall be

entitled to exercise a number of votes equal to X/Y multiplied by 40% of the total number of votes exercisable at such a General Meeting, where X = the number of Participating Preference Shares held by him and Y = the total number of Participating Preference Shares in issue.

- 3.3.3 At any General Meeting on a show of hands every holder of Ordinary Shares or Participating Preference Shares who is present in person or (being a corporation) by a representative shall have one vote and on a poll every holder thereof who is present in person or by proxy or (being a corporation) by a representative shall be entitled to exercise the number of votes which he would have been entitled to exercise if all the shares which he holds or represents were registered in his name.

### **3.4 Further issues**

No further Participating Preference Shares shall be issued without the consent in writing of all holders of Participating Preference Shares, but the Company may from time to time create and issue further shares of different class or classes to the Participating Preference Shares (in this Article called "**Further Shares**") ranking as regards participation in the profits and assets of the Company after the Participating Preference Shares.

### **3.5 Variation of Rights**

- 3.5.1 The rights attaching to the Participating Preference Shares will not be varied or abrogated without the consent in writing of all of the holders thereof;
- 3.5.2 The issue of Further Shares will not constitute a variation of the rights attaching to the Participating Preference Shares but any issue of additional Participating Preference Shares will constitute such a variation.

### **3.6 Dividends on Ordinary Shares**

No dividend shall, without the consent in writing of the Preference Shareholders, be paid on the Ordinary Shares or any Further Shares if and so long as any Preference Dividend has not been paid in full on or before the due date therefor and remains in arrears.

## **PROCEEDINGS AT GENERAL MEETINGS**

- 4 In the case of a corporation a resolution in writing may be signed on its behalf by a Director or the Secretary thereof or by its duly appointed attorney or duly authorised representative. Regulation 53 shall be extended accordingly. Regulation 53 (as so extended) shall apply *mutatis mutandis* to resolutions in writing of any class of members of the Company.
- 5 An instrument appointing a proxy (and, where it is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof) must either be delivered at such place or one of such places (if any) as may be specified for that purpose in or by way of note to the notice convening the meeting (or, if no place is so specified, at the registered office) at least one hour before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or be delivered to the Secretary (or the chairman of the meeting) on the day and at the place of, but in any event before the time appointed for holding, the meeting or adjourned meeting or poll. The instrument may be in the form of a facsimile or other machine-made copy and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates. An instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates. Regulation 62 shall not apply.

### **VOTES OF MEMBERS**

- 6.1 At a general meeting, but subject to any rights or restrictions attached to any shares, on a show of hands every member present in person or by proxy (or being a corporation present by a duly authorised representative) shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. Regulation 54 shall not apply.
- 6.2 The following actions by the Company shall require the consent of all the shareholders of the Company:
- 6.2.1 the sale, transfer, assignment or other disposition (whether by one or a series of transactions) of all or more than 50 per cent of the Company's undertaking as at the Completion Date and carried on in the ordinary course thereafter.
  - 6.2.2 any proposal, action or agreement by the Company whereby it is likely to be liquidated or wound up or merged.

### **NUMBER OF DIRECTORS**

- 7 The Directors shall not be less than one in number. Regulation 64 shall be modified accordingly.

### **ALTERNATE DIRECTORS**

- 8.1 An alternate Director shall (except when absent from the United Kingdom) be entitled to receive notices of meetings of the Directors and of any committee of the Directors of which his appointor is a member and shall be entitled to attend and vote as a Director and be counted in the quorum at any such meeting at which his appointor is not personally present and generally at such meeting to perform all functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of the quorum. If his appointor is for the time being absent from the United Kingdom or temporarily unable to act through ill health or disability his signature to any resolution in writing of the Directors shall be as effective as the signature of his appointor. An alternate Director shall not (save as aforesaid) have power to act as a Director, nor shall he be deemed to be a Director for the purposes of these Articles, nor shall he be deemed to be the agent of his appointor. Regulations 66 and 69 shall not apply.
- 8.2 An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

### **DELEGATION OF DIRECTORS' POWERS**

- 9 In addition to the powers to delegate contained in Regulation 72, the Directors may delegate any of their powers or discretions (including without prejudice to the generality of the foregoing all powers and discretions whose exercise involves or may involve the payment of remuneration to or the conferring of any other benefit on all or any of the Directors) to committees consisting of one or more Directors and (if thought fit) one or more other named person or persons to be co-opted as hereinafter provided. Insofar as any such power or discretion is delegated to a committee, any reference in these Articles to the exercise by the Directors of the power or discretion so delegated shall be read and construed as if it were a reference to the exercise thereof by such committee. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations which may from time to time be imposed by the Directors.

Any such regulations may provide for or authorise the co-option to the committee of persons other than Directors and may provide for members who are not Directors to have voting rights as members of the committee. Regulation 72 shall be modified accordingly.

#### **APPOINTMENT AND RETIREMENT OF DIRECTORS**

- 10 The Directors shall not be subject to retirement by rotation. Regulations 73 to 75 and the second and third sentences of Regulation 79 shall not apply, and other references in the said Table A to retirement by rotation shall be disregarded.

#### **DISQUALIFICATION AND REMOVAL OF DIRECTORS**

- 11 The office of a Director shall be vacated in any of the events specified in Regulation 81 and also if he shall in writing offer to resign and the Directors shall resolve to accept such offer.

#### **REMUNERATION OF DIRECTORS**

- 12 Any Director who serves on any committee, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine. Regulation 82 shall be extended accordingly.

#### **PROCEEDINGS OF DIRECTORS**

- 13 On any matter in which a Director is in any way interested he may nevertheless vote and be taken into account for the purposes of a quorum and (save as otherwise agreed) may retain for his own absolute use and benefit all profits and advantages directly or indirectly accruing to him thereunder or in consequence thereof. Regulations 94 to 98 shall not apply.

#### **NOTICES**

- 14 A member whose registered address is not within the United Kingdom shall be entitled to have notices sent to him as if he were a member with a registered address within the United Kingdom and the last sentence of Regulation 112 shall not apply.

#### **INDEMNITY**

- 15.1 Subject to the provisions of and so far as may be consistent with the Statutes, every Director, Secretary or other officer of the Company shall be indemnified by the Company out of its own funds against and/or exempted by the Company from all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court.
- 15.2 Without prejudice to paragraph 15.1 of this Article the Directors shall have power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of any Relevant Company (as defined in paragraph 15.3 of this Article) or who are or were at any time trustees of any pension fund or employees' share scheme in which employees of any Relevant Company 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 any Relevant Company, or any such pension fund or employees' share scheme.

- 15.3** For the purpose of paragraph 15.2 of this Article **Relevant Company** shall mean the Company, any holding company of the Company or any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or of such other body.

#### **OVERRIDING PROVISIONS**

- 16** Where any of Centrica and its subsidiary undertakings holds, or together hold, shares carrying not less than 51 per cent. of the votes which may for the time being be cast at a general meeting of the Company any of such holders may at any time and from time to time:

- (a) appoint any person to be a Director (whether to fill a vacancy or as an additional Director);
- (b) remove from office any Director howsoever appointed but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company;
- (c) by notice to the Company require that no unissued shares shall be issued or agreed to be issued or put under option without the consent of such member or members;
- (d) restrict any or all powers of the Directors in such respects and to such extent as such member or members may by notice to the Company from time to time prescribe.

Any such appointment, removal, consent or notice shall be in writing served on the Company and signed by the member or members. 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 such member or members 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. To the extent of any inconsistency this Article shall have overriding effects as against all other provisions of these Articles.