

SCOTCOAL PLC
(Registered No 146959)

We, the undersigned being all the members of Scotcoal PLC ("the Company") who at the date hereof are entitled to attend and vote at an extraordinary general meeting of the Company:

- (1) hereby resolve pursuant to the Company's Articles of Association to pass the following resolution as a special resolution:

SPECIAL RESOLUTION

1. THAT the 25,000 Ordinary Shares of £1 each registered in the name of The Miller Group Limited and the 25,000 Ordinary Shares of £1 each registered in the name of Ryan Group Limited be and are hereby reclassified as 25,000 "A" Shares of £1 each and 25,000 "B" Shares of £1 each respectively with the rights set out in the new Articles of Association adopted pursuant to paragraph 4 of this resolution.
 2. THAT 475,000 unissued Ordinary Share of £1 each be and are hereby reclassified as "A" Shares of £1 each and 475,000 unissued Ordinary Shares of £1 each be and are hereby reclassified as "B" Shares of £1 each with the rights set out in the new Articles of Association adopted pursuant to paragraph 4 of this resolution.
 3. THAT the authorised share capital of the Company be and is hereby increased from £1,000,000 to £10,000,000 by the creation of an additional 4,500,000 "A" Shares of £1 each and an additional 4,500,000 "B" Shares of £1 each with the rights set out in the new Articles of Association to be adopted pursuant to paragraph 4 of this resolution.
 4. THAT the Company hereby adopt new Articles of Association in the form of the draft attached to this resolution and signed by the members for the purposes of identification in substitution for and to the exclusion of the existing Articles of Association.
- THAT, for the purposes of Section 80 of the Companies Act 1985, the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot "A" Shares of £1 each of the Company up to an



aggregate nominal amount of £4,975,000 and to allot "B" Shares of £1 each of the Company up to an aggregate nominal amount of £4,975,000 provided that this authority shall expire five years after the passing of this resolution except that the Company may before the expiry of such period make an offer or agreement which would or might require "A" Shares or "B" Shares to be allotted after the expiry of such period and the Directors may allot "A" Shares or "B" Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

6. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot up to 4,975,000 A Shares of £1 each and 4,975,000 "B" Shares of £1 each of the Company as if Section 89(1) of the said Act did not apply to any such allotment provided that the power conferred by this resolution shall expire five years after the passing of this resolution except that the Company may before the expiry of such period make an offer or agreement which would or might require "A" Shares or "B" Shares to be allotted after the expiry of such period and the Directors may allot "A" Shares or "B" Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

- (2) hereby consent, in accordance with Section 125 of the Companies Act 1985, to the variation of rights attached to the 50,000 issued Ordinary Shares of £1 each in the capital of the Company conferred by the passing of the foregoing resolution.

Keith L. Miller DIRECTOR
The Miller Group Limited

Dated 14 JUNE 1994

G. H. S. DIRECTOR
Ryan Group Limited

Dated 29th JUNE 1994

SC146959

M. T. R.

Keith de Lalla

RYAN

G. H. K.

COMPANIES ACTS 1985 AND 1989

PUBLIC COMPANY LIMITED BY SHARES

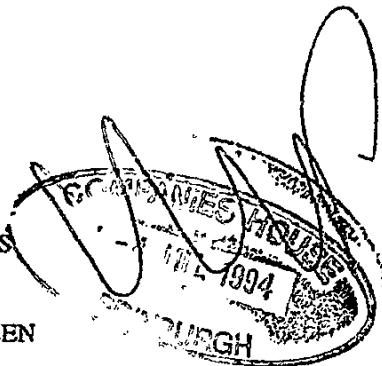
ARTICLES OF ASSOCIATION

OF

SCOTCOAL PLC

(Adopted by Special Resolution passed on 29th June 1994)

Dundas & Wilson CS
Saltire Court
20 Castle Terrace
EDENBURGH EH1 2EN



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COMPANIES ACTS 1985 AND 1989

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

SCOTCOAL PLC

(Adopted by Special Resolution passed on 29th June 1994)

1. PRELIMINARY

1.1 In these Articles, unless there is something in the subject or context inconsistent therewith:

Act means the Companies Act 1985 (as amended by the Companies Act 1989)

Articles means these Articles of Association or other articles of association of the Company from time to time in force

"A" Director means any director for the time being appointed by the Holder or Holders of a majority of the "A" Shares and holding office pursuant to Article 21.1

"A" Shares means the "A" shares of £1 each in the capital of the Company

"B" Director means any director for the time being appointed by the Holder or Holders of a majority of the "B" Shares and holding office pursuant to Article 21.2

"B" Shares means the "B" shares of £1 each in the capital of the Company

Board means the board of directors of the Company from time to time

Business Day means any day (other than a Saturday) when banks are open for business in London for the transaction of normal banking business

clear days means, in relation to a period of notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect

Company means Scotcoal PLC (registered number SC1469590)

Deemed Transfer Notice means a transfer notice deemed to be given under any provisions of these Articles

Determination Date has the meaning attributed thereto in Article 9.8

Directors means the "A" Directors, the "B" Directors and the Independent Directors or any of them or, (as appropriate) in their absence, the respective alternate Directors appointed by the "A" Directors or the "B" Directors

Expert has the meaning attributed thereto in Article 9.6.2

Holder means, in relation to Shares, the member whose name is entered in the register of members of the Company as the holder of the Shares

Independent Director means a director of the Company other than an "A" Director or a "B" Director

Office means the registered office for the time being of the Company

Proposing Transferor has the meaning attributed thereto in Article 9.1

Purchaser or Purchasers have the meanings attributed thereto in Article 9.14

Relevant Event means, in relation to a Holder of "A" Shares or "B" Shares:

- (a) a receiver, manager, administrative receiver, administrator, judicial factor or other similar officer being appointed or being requested by such Holder to be appointed in respect of the whole or substantially the whole of such Holder's undertaking or assets, or a creditor or encumbrancer attaching or taking possession of, or a diligence, distress, execution, sequestration or other process being levied or enforced upon, the whole or substantially the whole of the undertaking or assets of that Holder and not being discharged within Twenty-eight (28) days thereof; or
- (b)
 - (i) it stopping or threatening to stop or suspending payment of its debts or being unable, or being deemed to be unable or admitting its inability, to pay its debts as they fall due within the meaning of the Insolvency Act 1986; or
 - (ii) it entering into any scheme or arrangement with one or more of its creditors, or it commencing negotiations with a view to entering into such scheme or arrangement for, or taking some other step with a view to, the general readjustment, deferral or rescheduling of all or any part of its debts or proposing so to do; or
 - (iii) it proposing or entering into or taking some other steps with a view to, any composition or other arrangement for the benefit of its creditors generally or any class of its creditors; or
 - (iv) in respect of it, any:
 - (aa) step (including petition, proposal or convening a meeting) being taken with a view to a composition, assignation or arrangement with its creditors generally or any class of them; or
 - (bb) meeting being convened for the purpose of considering any resolution (or to petition for) its winding up or any such resolution is passed; or
 - (cc) person presenting a petition for its winding-up; or

- (dd) meeting being convened for the purpose of considering any resolution for (or petition for) its administration or any such resolution is passed; or
- (ee) person presenting a petition for its administration or for the appointment of a judicial factor to it; or
- (ff) order for its winding-up or its administration being made; or
- (gg) other step (including petition, proposal or convening a meeting) being taken with a view to its rehabilitation, administration, custodianship, liquidation, winding-up, dissolution or any other insolvency proceedings involving it;

PROVIDED THAT none of the events referred to in paragraphs (aa), (bb), (cc), (ff) or (gg) (except in the case of administration) shall constitute a Relevant Event if such events occur in relation to its solvent winding-up for the purposes of and followed by a reconstruction, amalgamation reorganisation, merger or consolidation; or

- (v) any event analogous to any of the foregoing shall occur

Seal means the common seal of the Company, and includes the official seal (if any) kept by the Company by virtue of Section 40 of the Act

Secretary means the Secretary of the Company and includes an assistant or deputy secretary, and any person appointed by the Directors to perform the duties thereof

Security Interest means and includes any interest, right or equity of any person (including, without prejudice to the generality of the foregoing, any right to acquire, option or right of pre-emption) or any charge, pledge, lien or assignation or any other encumbrance, priority or security interest or arrangement of whatsoever nature over or in the relevant Shares (other than right, equity or lien arising pursuant to the provisions of these Articles)

Share or Shares means a share or shares in the capital of the Company from time to time

Subsidiary means in relation to a company a subsidiary (as defined by Section 736 of the Act) of such company, and Subsidiary shall be construed accordingly

Total Transfer Condition has the meaning attributed to it in Article 9.1.3

Transfer Notice has the meaning attributed to it in Article 9.1

Transfer Price has the meaning attributed to it in Article 9.5

Transfer Shares has the meaning attributed thereto in Article 9.1.1.

- 1.2 Expressions referring to writing shall be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form.

- 1.3 Words and expressions defined in the Act shall, unless the context otherwise requires, have the same meanings in these Articles.
- 1.4 All references to the plural shall include the singular and vice versa and all references to any gender masculine shall include the other genders and references herein to any statutory provisions shall include any statutory modification or re-enactment thereof.
- 1.5 References to persons shall include bodies corporate (whether incorporated by statute, charter or howsoever) and any governmental body or authority.
- 1.6 References to Articles are to the regulations of these Articles.
- 1.7 The headings and the use of bold type-face in these Articles are for convenience only and shall not affect their interpretation.
- 1.8 None of the regulations contained in Table "A" in the schedule to the Companies (Tables A to F) Regulations 1985 (as amended) shall apply to the Company except so far as embodied in any of the following Articles, which shall be the regulations for the management of the Company.

2. PUBLIC COMPANY STATUS

The Company is a public company.

3. SHARE CAPITAL

- 3.1 The authorised share capital of the Company, at the date of the adoption of these Articles, is 10,000,000 divided into 5,000,000 "A" Shares and 5,000,000 "B" Shares. The "A" Shares and the "B" Shares shall constitute separate classes of Shares but, except as otherwise provided in these Articles, shall rank *pari passu* in all respects.
- 3.2 The rights and restrictions attaching to the "A" Shares and the "B" Shares are as follows:

3.2.1 Income

If in respect of any accounting period the Company shall determine to distribute any part of any profits of the Company available for distribution, the Company shall pay to the Holders of the "A" Shares and the "B" Shares (as if they were one and the same class for such purpose) a non-cumulative dividend at such rate per annum as the Company shall determine (but not exceeding the amount recommended by the Directors) on the nominal value of the Shares, such dividend, if any, to be paid within Twenty (20) Business Days of the general meeting at which the accounts of the Company for the relevant accounting period are presented to the Company.

3.2.2 Capital

On a return of assets whether in winding up, reduction of capital or otherwise (except on a redemption of Shares or the purchase by the Company of its own Shares), the assets and retained profits of the Company available for distribution shall be applied:

3.2.2.1 first, in paying to and amongst the Holders of "A" Shares and the Holders of "B" Shares the amounts paid up or credited as paid up on the "A" Shares and the "B" Shares respectively (pari passu and rateable as if the same were one class of Share for such purpose);

3.2.2.2 thereafter, in distributing the balance of such assets and retained profits to and amongst the holders of "A" Shares and the Holders of "B" Shares (pari passu and rateable as if the same were one class of Share for such purpose).

3.2.3 Voting

3.2.3.1 Subject to Article 3.2.3.2, the Holders of "A" Shares and the Holders of "B" Shares shall be entitled to receive notice of and to attend general meetings of the Company and each such Holder (being an individual) who is present in person or by proxy or (being a corporation) who is present by a duly authorised representative or by proxy, not being himself a member entitled to vote, shall have one vote and, on a poll, shall have one vote for every Share of which he is the Holder.

3.2.3.2 No Shares of any class shall confer any right to vote upon a resolution for the removal from office of a Director appointed by the Holders of Shares of any of the other classes.

3.3 Subject to the provisions of the Act and without prejudice to any rights attached to any existing Shares, any Share may be issued with such rights and restrictions as the Company may by ordinary resolution determine.

3.4 Subject to and in accordance with the provisions of the Act, the Company may issue Shares which are to be redeemed or are to be liable to be redeemed at the option of the Company or the Holder.

3.5 In addition to all other powers of paying commissions, the Company may exercise the powers of paying commissions conferred by the Act. Subject to the provisions of the Act, such commissions may only be satisfied by the payment of cash.

3.6 Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the Company as holding any Share upon any trust, and (except only as by these Articles or by law otherwise provided) the Company shall not be bound by or recognise any interest in any Share except an absolute right to the entirety thereof in the Holder.

4. VARIATION OF RIGHTS

4.1 Whenever the capital of the Company is divided into different classes of Shares, subject to the provisions of the Act, all or any of the rights attaching for the time being to any class for the time being issued may from time to time be varied or abrogated (without limitation either whilst the Company is a going concern or during or in contemplation of a winding-up) with the consent in writing of the Holders of not less than three-fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the Holders of the relevant class of Shares but not otherwise. To every such separate meeting all the provisions of these Articles in relation to general meetings of the Company or the proceedings thereat shall mutatis mutandis apply (save that one person entitled to vote on the business to be transacted, being a member of the relevant class, or a

proxy for such a member, or a duly authorised representative of such a member being a corporation, shall constitute a quorum) PROVIDED ALWAYS THAT it is a term of issue of the "A" Shares and the "B" Shares that the rights attached to such shares shall be deemed to be varied by the occurrence of any of the following events, and such events shall not be proposed at any general meeting nor carried into effect without the consents or sanctions required by the Act to a variation of rights attached to each of such classes of Shares:

- (a) any amendment to the objects clause of the Memorandum of Association of the Company;
- (b) any amendment to these Articles; or
- (c) any resolution for the winding-up of the Company.

- 4.2 The rights conferred upon the Holders of any Shares shall not, unless otherwise expressly provided in the rights attaching to those Shares, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with them.

5. SHARE CERTIFICATES

- 5.1 Every member, upon becoming the Holder of any Shares, shall be entitled without payment to one certificate for all Shares of each class held by him (and, upon transferring a part of his holding of Shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his Shares upon payment for every certificate after the first of such reasonable sum as the Directors may determine. Every certificate shall be sealed with the Seal or shall be executed in accordance with the provisions of the Act and shall specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and the amount or respective amounts paid up thereon. The Company shall not be bound to register in its register of members more than four persons as the joint Holders of any Share (except in the case of the executors or trustees of a deceased member) nor to issue more than one certificate for Shares held jointly by several persons, and delivery of a certificate for a Share to one joint Holder shall be sufficient delivery to all the Holders of such Share.

- 5.2 If a Share certificate is defaced, worn-out, lost or destroyed, it may be renewed without payment on such terms (if any) as to evidence and indemnity and the payment of the expenses incurred by the Company in investigating evidence as the Directors may determine, and (in the case of defacement or wearing-out) on delivery up of the old certificate.

6. LIEN

- 6.1 The Company shall have a first and paramount lien on every Share (whether or not fully paid) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that Share or in respect of any other liability or indebtedness of the Holder to the Company. The Directors may at any time by resolution of the Board declare any Share to be wholly or in part exempt from the provisions of this Article PROVIDED ALWAYS THAT no such declaration shall be made unless it applies in respect of each of the "A" Shares and the "B" Shares respectively in like manner. The Company's lien on a Share shall extend to all moneys payable thereon or in respect thereof.
- 6.2 The Company may sell, in such manner as the Directors determine, any Shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists

is presently payable, and is not paid within twenty-one clear days after notice has been given to the Holder of the Share demanding payment and stating that if the notice is not complied with the Shares may be sold, which notice may be given by the Directors.

- 6.3 To give effect to a sale, the Directors may authorise some person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The transferee 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 proceedings in reference to the sale PROVIDED THAT provisions of Article 6.2 shall have been complied with.
- 6.4 The net proceeds of the sale, after payment of the costs thereof, shall be applied in payment of so much of the amount for which the lien exists as is presently payable, and any residue, shall (upon surrender to the Company for cancellation of the certificate for the Shares sold and subject to a like lien for any moneys not presently as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

7. CALLS ON SHARES AND FORFEITURE

- 7.1 Subject to the terms of allotment of any Shares, the Directors may make calls upon the members in respect of any moneys unpaid thereon (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on its Shares. A call may be required to be paid by instalments. A call may, before receipt by the Company of any sum thereunder, be revoked in whole or in part and payment of a call may be postponed in whole or in part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect whereof the call was made.
- 7.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.
- 7.3 The joint Holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
- 7.4 If a call remains unpaid after it has become due and payable, the person from whom the sum is due and payable shall pay interest on the unpaid sum from the day it became due until it is paid at such rates as may be fixed by the terms of allotment of the Share, or in the notice of call or, if no rate is so fixed, at the appropriate rate (as defined by Section 107 of the Act), but the Directors may by resolution of the Board waive payment of the interest in whole or in part.
- 7.5 Any sum which by or pursuant to the terms of allotment of a Share becomes due and payable on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall for the purposes of these Articles be deemed to be a call, and if it is not paid when due all the provisions of these Articles (as to payment of interest and expenses, lien, forfeiture, sale or otherwise) shall apply as if that sum had become due and payable by virtue of a call.
- 7.6 If a call remains unpaid after it has become due and payable the Directors may give notice to the person from whom it is due requiring payment of the amount unpaid, together with any interest which may have accrued.

- 7.7 The notice referred to in Article 7.6 shall name a day (not earlier than fourteen clear days from the date the notice is given) on or before which and the place where the payment required by notice is to be made, and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited. The Board may accept the surrender of any Share liable to be forfeited and, in that event, references in these Articles to forfeiture shall include surrender.
- 7.8 If the notice is not complied with, any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors, and the forfeiture shall include all dividends or other monies payable in respect of the forfeited Shares and not paid before the forfeiture.
- 7.9 Subject to the provisions of the Act, a forfeited Share may be sold, re-allotted or otherwise disposed of only to such person and on terms and in the manner that the Company may by special resolution determine and in accordance with the provisions of these Articles. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share to that person. At any time before a sale, re-allotment or other disposition the forfeiture may be cancelled by a resolution of the Board on such terms as the Directors shall decide.
- 7.10 A person any of whose Shares have been forfeited shall cease to be a member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited, but shall remain liable to the Company for all moneys which, at the date of forfeiture, were payable by him to the Company in respect of those Shares, with interest at such rate as may be fixed by the terms of allotment of the Shares or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by Section 107 of the Act), from the date of forfeiture until payment, but the Directors may by resolution of the Board waive payment 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.
- 7.11 A statutory declaration by a Director or the Secretary that a Share has been forfeited on a specified date, shall be conclusive evidence (in the absence of manifest error) of the facts stated in it as against all persons claiming to be entitled to the Share, and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the Share, and the person to whom the Share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture or disposal of the Share.

8. TRANSFER OF SHARES

- 8.1 The instrument of transfer of a Share may be in any usual form or in any other form which the Directors may approve and shall be executed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee, and the transferor shall be deemed to remain the Holders of the Share until the transferee is entered in the register of members in respect thereof.
- 8.2 The Directors may, subject to Article 8.4, refuse to register the transfer of a Share to a person of whom they do not approve and they may refuse to register the transfer of a Share on which they have a lien.

- 8.3 The Directors may also refuse to register a transfer if:
- 8.3.1 it is not lodged at the Office or at such other place as the Directors may appoint or is not accompanied by the certificate for the Shares to which it relates and such other evidence as the Directors may reasonably require regarding any matter which they reasonably consider relevant, including (without limitation) to evidence of the right of the transferor to enter into such transfer; or
 - 8.3.2 it is in respect of more than one class of Shares; or
 - 8.3.3 it is made in favour of more than four transferees; or
 - 8.3.4 it is a transfer to which Article 8.8 applies.
- 8.4 The Directors may not refuse to register the transfer of an "A" Share or "B" Share if it is made in accordance with Article 9 or otherwise agreed between the Holders of the "A" Shares and the Holders of the "B" Shares (unless such refusal is pursuant to Article 8.3).
- 8.5 If the Directors refuse to register the transfer of a Share, they shall within Twenty (20) Business Days after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- 8.6 No fee shall be charged for the registration of any transfer or other document relating to or affecting the title to any Share.
- 8.7 The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.
- 8.8 For the purpose of ensuring that a particular transfer of Shares is in accordance with the provisions of these Articles, the Directors may require the transferor or the person named as transferee in any transfer lodged for registration to furnish the Company with such information and evidence as the Directors may reasonably think necessary or relevant. Failing such information or evidence being furnished to the satisfaction of the Directors within a period of Twenty (20) Business Days after such request, the Directors shall be entitled to refuse to register the transfer in question.
- 8.9 If any of the "A" Shareholders or "B" Shareholders at any time attempts to deal with or dispose of any "A" Share or "B" Share or any interest therein otherwise than in accordance with the provisions of Article 9, such Holder shall be deemed immediately prior to such attempt to have given a Deemed Transfer Notice in respect of such Share.
- 8.10 Upon the happening of any Relevant Event, the "A" Shareholder or the "B" Shareholder to which the Relevant Event relates shall be deemed to have given immediately a Deemed Transfer Notice in respect of all the "A" Shares or the "B" Shares as shall then be registered in its name. Where a Deemed Transfer Notice in respect of any Shares is deemed to have been given under any provision of these Articles and the circumstances are such that the Directors are unaware of the facts giving rise to the same, such Deemed Transfer Notice shall be deemed to have been received by the Directors on the date on which the Directors receive actual notice of such facts and the provisions of Article 9 shall apply accordingly.
- 8.11 The Directors shall serve a Deemed Transfer Notice on all of the "A" Shareholders and "B" Shareholders notifying them that the same has been deemed to have been given. A Deemed

Transfer Notice shall be deemed to contain a Total Transfer Condition and shall not be revocable.

9. PRE-EMPTION ON TRANSFER OF "A" SHARES AND "B" SHARES

9.1 Before selling, transferring or otherwise disposing of, or agreeing to sell, transfer or otherwise dispose of any "A" Shares or "B" Shares or any interest therein, an "A" Shareholder or "B" Shareholder proposing to transfer the same (**Proposing Transferor**) shall be obliged to give written notice (**Transfer Notice**) to the Secretary (on behalf of the Company) that the Proposing Transferor desires to transfer such Share. In the Transfer Notice, the Proposing Transferor shall specify:

9.1.1 the number and class of Shares which the Proposing Transferor wishes to transfer (**Transfer Shares**) (which may be all or part only of the Shares then held by the Proposing Transferor);

9.1.2 the price at which the Proposing Transferor wishes to sell Transfer Shares, the terms and conditions of the transfer and the identity of any person who has indicated a willingness to purchase the Transfer Shares at such price; and

9.1.3 whether or not the Proposing Transferor wishes to impose a condition that unless all of the Transferor Shares are sold pursuant to the following provisions of this Article none shall be so sold (**Total Transfer Condition**), but in the absence of such a statement the Transfer Notice shall be deemed not to contain a Total Transfer Condition.

9.2 The Transfer Notice shall constitute the Company (by its Secretary) as the agent of the Proposing Transferor empowered to sell the Transfer Shares (together with all rights attaching thereto at the date of the Transfer Notice or at any time thereafter) at the Transfer Price (as hereinafter defined) on the terms of this Article. Once given a Transfer Notice may not be revoked save with the prior written consent of all of the "A" Shareholders and "B" Shareholders.

9.3 Where a Transfer Notice is given in respect of more than one class of Shares it shall be deemed for the purposes of this Article to comprise a number of separate Transfer Notices, one in respect of each such class.

9.4 Within Five (5) Business Days after the receipt of any Transfer Notice, the Directors shall serve a copy of that Transfer Notice on all of the "A" Shareholders and the "B" Shareholders (other than the Proposing Transferor).

9.5 Unless all of the "A" Shareholders and the "B" Shareholders otherwise agree in writing, the Transfer Shares shall be offered, in the case where the Proposing Transfer is an "A" Shareholder, to each of the "B" Shareholders and, in the case where the Proposing Transferor is a "B" Shareholder, to each of the "A" Shareholders for purchase (as hereinafter provided) at a price per Transfer Share (**Transfer Price**), which expression, where used in respect of more than one Transfer Share, shall mean the price per Transfer Share multiplied by the number of Transfer Shares in question) determined in accordance with Article 9.6.1 or 9.6.2 (as the case may be).

9.6.1 If the Transfer Notice is not a Deemed Transfer Notice, the Transfer Price shall be the price specified by the Proposing Transferor in the Transfer Notice; or

- 9.6.2 If the Transfer Notice is a Deemed Transfer Notice, the Transfer Notice shall be such price as shall be agreed in writing between the "A" Shareholders and the "B" Shareholders or, in the absence of such agreement within Twenty (20) Business Days after the service of such notice pursuant to Article 8.11, the Transfer Price will be determined by either a director of an independent merchant bank or an independent chartered accountant in either case of not less than Five (5) years' standing (the "Expert"), either of whom shall be nominated by agreement between the "A" Shareholders and the "B" Shareholders or, failing such nomination within Ten (10) Business Days after the request of an "A" Shareholder or "B" Shareholder to the others therefor, nominated at the request of any "A" Shareholder or "B" Shareholder by the President for the time being of the Institute of Chartered Accountants of Scotland (or any successor body).
- 9.7 The Expert shall act as an expert and not as an arbiter and his written determination shall, in the absence of manifest error, be final and binding on the "A" Shareholders and the "B" Shareholders. The Expert will certify the fair sale value of the Transfer Shares in his opinion as at the date of the Deemed Transfer Notice taking all relevant circumstances into account, including (without limitation) on the following assumptions and bases:
- 9.7.1 as on an arm's length sale between a willing vendor and a willing purchaser;
 - 9.7.2 if the Company is then carrying on the business as a going concern, on the assumption that it will continue to do so;
 - 9.7.3 that the Transfer Shares are capable of being transferred without restriction; and
 - 9.7.4 valuing the Transfer Shares as a rateable proportion of the total value of the issued Shares taking full account of the rights and other restrictions attached to the Transfer Shares.

For the purpose of the Expert's determination the Company shall supply the Expert with any information which it may request in connection with such determination.

If any difficulty shall arise in applying any of the foregoing assumptions or bases then such difficulty shall be resolved by the Expert in such manner as he shall in his absolute discretion think fit. The Company shall use its best endeavours to procure that the Expert determines the Transfer Price and notifies such price in writing to the Company (by its Secretary) within Ten (10) Business Days of being requested so to do. The costs and expenses of the Expert in determining the Transfer Price shall be borne by the Proposing Transferor.

- 9.8 The date of the determination (the "Determination Date") of the Transfer Price shall be:
- 9.8.1 if the determination of the Transfer Price is referred to the Expert, the date upon which the Company receives the Expert's determination of the Transfer Price; or
 - 9.8.2 if the Transfer Price is determined by written agreement between all the "A" Shareholders and "B" Shareholders as aforesaid, the date on which such agreement is made; or
 - 9.8.3 if the Transfer Price is determined pursuant to Article 9.6.1, the date upon which the Company (by the Secretary) receives the Transfer Notice.

- 9.9 Within Five (5) Business Days after the Determination Date, the Transfer Shares shall be offered for purchase at the Transfer Price by the Directors to those "A" Shareholders or "B" Shareholders (as the case may be) who at the date of the offer are registered as the respective members holding "A" Shares or "B" Shares (as the case may be) in proportion to the number of Shares then held by them respectively. Such offer shall be made by written notice from the Directors. Upon the expiry of the time limit specified in the offer, the Directors shall offer the Transfer Shares to or amongst the relevant Holders who shall have notified their willingness to take all or any of such Shares in accordance with the terms of the offer. No such Holder shall be obliged to take more than the maximum number of Shares he has indicated his willingness to take as aforesaid.
- 9.10 If any Shares remain unallocated, the Directors shall make such further offers to the relevant Holders who have notified their willingness to purchase (if more than one, pro rata to the Shares held by such Holders, ignoring Shares already allocated pursuant to the same Transfer Notice) as may be necessary to allocate the said balance or until all such members have indicated their unwillingness to purchase further Shares.
- 9.11 If any of the Transfer Shares shall not be capable of being allocated as aforesaid without involving fractions, the same shall be offered amongst the acceptors, or some of them, in such proportions or in such manner as may be determined by lots drawn in respect thereof, and the lots shall be drawn in such manner as the Directors shall think fit.
- 9.12 Any offer made pursuant to Article 9.9 or 9.10 shall be made by notice in writing and shall specify (a) the total number and class of the Transfer Shares; (b) the proportionate entitlement of the relevant "A" Shareholders or "B" Shareholders (as the case may be) on the assumption that all the relevant Holders will take up their full entitlements, and the right of each relevant Holders to specify the maximum number of Transfer Shares in excess of that entitlement (if any) which it would be prepared to purchase if other relevant Holders decline to take up their full entitlements; (c) the Transfer Price; (d) the terms and conditions of transfer; (e) whether or not the Transfer Notice contained a Total Transfer Condition; and (f) a period (being not less than Fifteen (15) Business Days and not more than Thirty (30) Business Days) within which the offer must be accepted or shall lapse.
- 9.13 If the Transfer Notice or Deemed Transfer Notice in question contained a Total Transfer Condition then no offer of Transfer Shares made by the Directors pursuant to this Article shall be capable of acceptance until all of the Transfer Shares shall have been accepted by the relevant Holders (or any of them) entitled to accept them hereunder. If, by the foregoing procedures, the Directors shall not receive acceptances in respect of all the Transfer Shares within the period(s) of the aforesaid offer(s), they shall forthwith give notice in writing of that fact to the Proposing Transferor and none of the Transfer Shares will be sold to the relevant Holders (except otherwise provided herein) pursuant to this Article. Except for the avoidance of doubt, in the case of a Deemed Transfer Notice, the Proposing Transferor may within a period of Three (3) months after the date of the Directors' said notice sell all (but not some only) of the Transfer Shares to the person identified in the Transfer Notice or to any relevant Holder at any price which is not less than the Transfer Price (after deducting, where appropriate, any net dividend or other distribution declared, paid or made after the date of the Transfer Notice in respect of the Transfer Shares and which has been or is to be retained by the Proposing Transferor) and on terms and conditions no less favourable than those disclosed in the Transfer Notice.
- 9.14 If, by the foregoing procedures, the Directors shall have received acceptances in respect of all of the Transfer Shares, the Directors shall forthwith give notice in writing as hereinafter mentioned to the Proposing Transferor and to the relevant Holder or Holders who have

agreed to purchase the same (Purchaser or relevant Purchasers) and the Proposing Transferor shall thereupon become bound upon payment of the Transfer Price to the Proposing Transferor (whose receipt shall be a good discharge to each Purchaser, the Company and the Directors therefor, none of whom shall be bound to see to the application thereof) to transfer to each Purchaser those Transfer Shares accepted by him. Every such notice shall state the name and address of each Purchaser, the number of Transfer Shares agreed to be purchased by him and the place and time appointed by the Directors for the completion of the purchase (being not less than Five (5) Business Days nor more than Twenty (20) Business Days after the date of the said notice and not being at a place outside Scotland). Subject to the giving of such notice, the purchase shall be completed at the time and place appointed by the Directors.

- 9.15 If the Transfer Notice in question did not contain a Total Transfer Condition and if by the foregoing procedures the Directors shall receive acceptances in respect of none or part only of the Transfer Shares within the period of the aforesaid offer, they shall forthwith give notice in writing of that fact to the Proposing Transferor, and the Proposing Transferor:

9.15.1 shall thereupon be bound upon payment of the Transfer Price to transfer to each Purchaser those Transfer Shares accepted by him and the provisions of Article 9.14 shall apply mutatis mutandis thereto;

9.15.2 may within a period of Three (3) months after the date of the Directors' said notice sell all or any of those Transfer Shares which have not been accepted as aforesaid to the person identified in the Transfer Notice or to any relevant Holder at any price which is not less than the Transfer Price (after deducting, where appropriate, the amount of any net dividend or other distribution declared, paid or made after the date of the Transfer Notice in respect of such Transfer Shares and which has been or is to be retained by the Proposing Transferor).

- 9.16 If a Proposing Transferor, having become bound to transfer any Transfer Shares pursuant to this Article, defaults in transferring the same, the Secretary shall be authorised to execute the necessary instrument of transfer of such Transfer Shares and may deliver it on his behalf and the Company may receive the purchase money and shall thereupon (subject to such instrument being duly stamped) cause the transferee to be registered as the Holder of such Transfer Shares and shall hold such purchase money on behalf of the Proposing Transferor. The Company shall not be bound to earn or pay interest on any money so held and shall not pay such money to the Proposing Transferor until it shall have delivered its share certificate (or an appropriate indemnity therefor). The receipt of the Company for such purchase money shall be good discharge to the transferee who shall not be bound to see to the application thereof, and after the name of the transferee has been entered in the register of members in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

- 9.17 Without prejudice to the generality of Article 8.8, the Directors may require to be satisfied that any Shares being transferred by the Proposing Transferor pursuant to Article 9.13 or 9.15.2 are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer and if not so satisfied may refuse to register the instrument of transfer.

- 9.18 An obligation to transfer a Share under the provisions of this Article shall be deemed to be an obligation to transfer the entire legal and beneficial interest in such Shares free from any Security Interest.

- 9.19 The provisions of this Article 9 may be waived in whole or in part in any particular case with the prior written consent of all the "A" Shareholders and "B" Shareholders.

10. TRANSMISSION OF SHARES

- 10.1 If a member dies the survivor or survivors where he was a joint holder and his personal representatives where he was the sole holder or the only survivor of the joint holders, shall be the only persons recognised by the Company as having any title to his interest; but nothing herein contained shall release the estate of the deceased member from any liability in respect of any Share which had been jointly held by him.
- 10.2 A person becoming entitled to a Share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the Directors may properly require, either elect to become the Holder of the Share or to have some person nominated by him registered as the transferee. If he elects to become the Holder, he shall give notice to the Company to that effect. If he elects to have another person registered, he shall execute an instrument of transfer of the Share to that person. All the Articles relating to the transfer of Shares shall apply to the notice or instrument of transfer as it was an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.
- 10.3 A person becoming entitled to a Share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the Holder of the Share except that he shall not, before being registered as the Holder of the Share, be entitled in respect of it to attend and vote at any meeting of the Company or at any separate meeting of the Holders of any class of Shares of the Company.

11. ALTERATION OF CAPITAL

- 11.1 The Company may from time to time by ordinary resolution:
- 11.1.1. increase its authorised share capital by new Shares of such class and amount as the resolution prescribes;
 - 11.1.2. consolidate all or any of its Shares into Shares of larger amount than its existing Shares;
 - 11.1.3. subject to the provisions of the Act, sub-divide its Shares, or any of them, into Shares of smaller amount and the resolution may determine that, as between the Shares resulting from the sub-divisions, any of them may have any preference or advantage as compared with the others; and
 - 11.1.4. cancel Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled.
- 11.2 Whenever as a result of a consolidation of Shares any members would become entitled to fractions of a Share, the Directors may deal with the fractions as they think fit and, in particular, may on behalf of those members, sell the Shares representing the fractions to any person (including, subject to the provisions of the Act, the Company) and distribute the proceeds of sale in due proportion amongst those members and the Directors may authorise some person to execute an instrument of transfer of, or deliver, the Shares to, or in

accordance with the directions of, the purchaser. The transferee 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 in or invalidity of the proceedings relating to the sale.

- 11.3 Subject to and in accordance with the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way. The Company may also by ordinary resolution cancel any Shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- 11.4 Subject to and in accordance with the provisions of the Act, the Company may purchase its own Shares (including any redeemable Shares) and make a payment in respect of the redemption or purchase of any of its own Shares otherwise than out of its distributable profits or out of the proceeds of a fresh issue of Shares.

12. GENERAL MEETINGS

- 12.1 All general meetings other than annual meetings shall be called extraordinary general meetings.
- 12.2 The Directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting for a date not later than Six (6) weeks after receipt of the requisition. If there are not within the United Kingdom sufficient Directors to form a quorum, any Director or any member of the Company may call a general meeting.

13. NOTICE OF GENERAL MEETINGS

- 13.1 An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least Twenty one (21) clear days' notice and all other extraordinary general meetings shall be called by at least Fourteen (14) clear days' notice but a general meeting may be called by shorter notice than that specified in this Article if it is so agreed:
 - 13.1.1 in the case of the annual general meeting, by all the members entitled to attend and vote thereat; and
 - 13.1.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote, being a majority together holding not less than 95 per cent in nominal value of the Shares giving that right.
- 13.2 The notice shall specify the time and place of the Meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the Meeting as such.
- 13.3 Subject to the provisions of these Articles and to any restrictions imposed on any Shares, the notice shall be given to all the members, to all persons entitled to a Share in consequence of the death or bankruptcy of a member and to the Directors and auditors.

- 13.4 The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

14. PROCEEDINGS AT GENERAL MEETINGS

- 14.1 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to vote on that business. Two members present, in person or by proxy or, if a corporate member, by its duly authorised representatives and having the right to attend and vote, shall be a quorum at any general meeting or adjourned general meeting, but so that such quorum shall throughout the meeting include one person being or representing a Holder of "A" Shares and one person being or representing a Holder of "B" Shares.
- 14.2 If such quorum is not present within half an hour from the time appointed for the meeting or if during the meeting such quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine.
- 14.3 At the adjourned meeting the quorum shall be any two members present in person or by proxy of, if a corporate member, by its duly authorised representative. If at the adjourned meeting a quorum is not present within Fifteen (15) minutes (or such longer time as all the persons validly present shall agree) from the time appointed for the meeting, the meeting shall be dissolved.
- 14.4 The Chairman, if any, of the Board of Directors or in his absence, some other Director nominated by the Directors shall preside as Chairman of the meeting, but if neither the Chairman nor such other Director (if any) be present within Fifteen (15) minutes after the time appointed for holding the meeting or if neither of them is willing to act, the Directors present shall elect one of their number to be Chairman and, if there is only one Director present and willing to act, he shall be Chairman.
- 14.5 If no Director is willing to act as Chairman or if no Director is present within Fifteen (15) minutes after the time appointed for holding the Meeting, the members present and entitled to vote shall choose one of their number to be Chairman.
- 14.6 A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the Holders of any class of Shares in the Company.
- 14.7 The Chairman may, with the consent of the meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had no adjournment not taken place.
- 14.8 A resolution put to the vote at a meeting shall be decided at a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded:
- (a) by the Chairman; or
 - (b) at least two members having the right to vote at the meeting; or

- (c) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares concerning that right; --

and a demand by a person as proxy for a member shall be the same as a demand by the member.

- 14.9 Unless a poll is duly demanded a declaration by the Chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against the resolution.
- 14.10 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the Chairman and a demand so withdrawn shall not be taken to have invalidated the result on a show of hands before the demand was made.
- 14.11 A poll shall be taken in such manner as the Chairman directs and he may appoint scrutineers (who need not be members). The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.
- 14.12 In the case of equality of votes, the Chairman shall be entitled to a casting vote in addition to any other vote he may have.
- 14.13 A poll demanded on the election of a Chairman or on the question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the Chairman directs not being more than Thirty (30) days after the poll is demanded. The demand for a poll shall not prevent continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
- 14.14 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least Seven (7) clear days' notice shall be given specifying the time and place at which the poll is to be taken.
- 14.15 A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several documents in the like form each executed by or on behalf of one or more of the members. If such a resolution in writing is described as a Special Resolution or as an Extraordinary Resolution, it shall have effect accordingly.

15. VOTES OF MEMBERS

- 15.1 In the case of joint Holders the vote of the senior or of the other joint Holders and seniority shall be accepted to the exclusion of the other joint Holders and seniority

shall be determined by the order in which the names of the Holders stand in the register of members.

- 15.2 A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised on that behalf appointed by that court, and any such receiver, curator bonis or other person may, on a poll, vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be deposited at the Office, or at such other place as is specified in accordance with the Articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.
- 15.3 No member shall, unless the Directors otherwise by resolution determine, be entitled to vote at any general meeting or at any separate meeting of the Holders of any class of Shares, either in person or by proxy, in respect of any Share held by him unless all monies (except where the subject of a bona fide dispute, in the opinion of the Directors) presently payable by him to the Company in respect of that Share have been paid.
- 15.4 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the Chairman whose decision shall be final and conclusive.
- 15.5 On a poll votes may be given either personally or by proxy, and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. The instrument appointing a proxy shall be in writing in any usual form or in any other form which the Directors may approve and shall be executed by the appointor or by his agent authorised in writing, or, if the appointor is a corporation, shall be either under its seal or executed by an officer or agent so authorised. The Board may, if it thinks fit, but subject to the provisions of the Act, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. Deposit of an instrument of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment thereof. The instrument of proxy shall, unless the contrary is stated in it, be valid for any adjournment of the meeting as well as for the meeting to which it relates.
- 15.6 The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors may:
 - 15.6.1 be deposited at the Office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting, not less than Forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or
 - 15.6.2 in the case of a poll taken more than Forty-eight (48) hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than Twenty-four (24) hours before the time appointed for the taking of the poll; or
 - 15.6.3 where the poll is not taken forthwith but is taken not more than Forty-eight (48) hours after it was demanded, be delivered at the meeting at which the poll was demanded (to the Chairman, to the Secretary or to any Director);

and an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.

- 15.7 A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the Company at the Office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

16. **NUMBER OF DIRECTORS**

Unless determined otherwise by the members, the number of Directors (other than alternate Directors) shall not be less than Two (2) nor more than Six (6).

17. **ALTERNATE DIRECTORS**

- 17.1 An "A" Director or a "B" Director (other than an alternate Director for such Director) may appoint any one person willing to act to be his alternate and may at his discretion remove from office any alternate Director so appointed by him. An Independent Director shall not be entitled to appoint an alternate Director.
- 17.2 An alternate Director shall, if his appointor so requests, be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions, powers and duties of his appointor as a Director. An alternate Director may be paid expenses, but shall not be entitled to receive any remuneration from the Company for his services as an alternate Director.
- 17.3 An alternate Director shall automatically cease to be an alternate Director if his appointor ceases to be a Director.
- 17.4 Any appointment or removal of an alternate Director shall be by notice in writing to the Company signed by the Director making or revoking the appointment and delivered to the office or tendered at a meeting of the Board, or in any other manner approved by the Directors.
- 17.5 Save as otherwise provided in the Articles, an alternate Director shall be deemed for all purposes to be a Director, and the provisions of the Articles in relation to proceedings at meetings shall apply as if he were a Director, and he shall (except as otherwise provided in these Articles) be subject in all respects to the provisions of the Articles relating to Directors. He shall alone be responsible to the Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him.
- 17.6 Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate, in addition (if he is already a Director) to his own vote as a Director. Execution by an alternate Director of any resolution in writing of the Board or a committee of

the Board shall, unless the notice of appointment provides to the contrary, be as effective by his appointor.

18. BORROWING POWERS

Without prejudice to the provisions of Article 19, the Directors may exercise all the powers of the Company whatsoever to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital, and subject to Section 80 of the Act and the provisions of these Articles, to issue debentures, debenture stock and other securities as security for any debt, liability or obligation of the Company or of any third party.

19. POWERS OF DIRECTORS

19.1 Subject to the provision of the Act, the Memorandum of Association of the Company and these Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company whether relating to the management of the business of the Company or not. No alteration of the Memorandum of Association of the Company or these Articles and no special resolution shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this Article shall not be limited by any special power given to the Directors by the Articles.

19.2 The Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such terms and conditions as they determine, and may delegate to any persons so appointed any of its powers, authorities and discretions (including authority for the agent to sub-delegate all or any of his powers).

20. DELEGATION OF DIRECTORS' POWERS

The Directors may delegate any of their powers to any committee consisting of at least Three (3) Directors and comprising at least one "A" Director, one "B" Director and one Independent Director. They may also delegate to any Chief Executive or any Director holding any executive office such of their powers, authorities and discretions (with power to sub-delegate) as they consider desirable to be exercised by him. Any such delegation may be made subject to any terms, conditions or restrictions the Directors may impose, and either collaterally with or to the exclusion of their own powers, authorities and discretions may revoke from time to time or alter any of them, but no person acting in good faith and without notice of such revocation or alteration shall be affected thereby. Subject to any such terms, conditions or restrictions, the proceedings of a committee of Three (3) or more Directors shall be governed by the Articles regulating the proceedings of Directors so far as they are capable of applying.

21. APPOINTMENT AND RETIREMENT OF DIRECTORS

21.1 The Holder or Holders of a majority of the "A" Shares from time to time shall be entitled at any time and from time to time by notice in writing to the Company to appoint Two (2) Directors and by like notice remove such Directors and at any time and from time to time by

like notice to appoint any other person to be a Director in place of the Director so removed. Any Director so appointed shall be an "A" Director.

- 21.2 The Holder or Holders of a majority of the "B" Shares from time to time shall be entitled at any time and from time to time by notice in writing to the Company to appoint Two (2) Directors and by like notice remove such Directors and at any time and from time to time by like notice to appoint any other person to be a Director in place of the Director so removed. Any Director so appointed shall be a "B" Director.
- 21.3 A notice of appointment or removal of a Director pursuant to this Article 21 shall take effect upon lodgement at the Office or on delivery to a meeting of the Directors or on delivery to the Secretary.
- 21.4 No person shall be or become incapable of being appointed a Director by reason only of his having attained the age of Seventy (70) or any other age nor shall any special or other notice be required in connection with the appointment or the removal of the appointment of such person, and no Director shall vacate his office at any time by reason only of the fact that he has attained the age of Seventy (70) or any other age.
- 21.5 The Directors shall not be liable to retirement by rotation.

22. REMUNERATION OF DIRECTORS

The Directors shall not be entitled to any remuneration in their capacity as Directors unless otherwise resolved by the Directors.

23. DIRECTORS' EXPENSES

Each Director shall be entitled to be paid all reasonable travelling, hotel and other costs and expenses properly and reasonably incurred by him in connection with their attendance at meetings of Directors or committee of Directors of general meetings or otherwise in connection with the conduct of the Company's business or the discharge of their duties.

24. DIRECTORS' GRATUITIES AND PENSIONS

The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner, whether similar to the foregoing or not, for any Director or former Director or any relation or dependant of any Director or former Director, provided that no such benefits (except such as may be provided for by any other Article) may be granted without the approval of an ordinary resolution of the Company. No Director or former Director shall be accountable to the Company or the members for any benefit provided pursuant to this Article and the receipt of any such benefits shall not disqualify any person from being or becoming a Director of the Company.

25. DIRECTORS' APPOINTMENTS AND INTERESTS

- 25.1 Subject to the provisions of the Act and to Article 20, the Directors may appoint one or more of their number to any executive office under the Company, and may enter into an agreement

or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment or agreement may be made upon such terms as they think fit. Any appointment of a Director to an executive office shall determine if he ceases to be a Director but without prejudice to any claim to damages for breach of the contract of services between the Director and the Company.

25.2 Subject to the provisions of the Act, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office :

25.2.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

25.2.2 may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

25.2.3 shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

25.3 For the purposes of Article 25.2:

25.3.1 a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and

25.3.2 an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and

25.3.3 a Director shall be deemed to have disclosed the nature and extent of his interest to the extent such arises by reason of his being a director, officer, employee, agent, shareholder or appointee of any Holder of Shares of the class held by the member or members who appointed him (or one of their Associates).

25.4 The Directors shall not be required to hold any Share qualification.

26. DISQUALIFICATION AND REMOVAL OF DIRECTORS

The office of a Director shall be vacated if:

26.1 he ceases to be a Director by virtue of any provision of the Act, or he becomes prohibited by law from being a Director; or

26.2 he becomes bankrupt or makes any arrangement or composition with his creditors generally; or

26.3 he is, or may be, suffering from mental disorder and either:

- 26.3.1 he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act (Scotland) Act 1960 or any similar legislation; or
- 26.3.2 an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
- 26.4 he resigns his office by notice to the Company; or
- 26.5 he is removed by his appointor pursuant to Article 21.1 or 21.2 (as appropriate); or
- 26.6 (being an Independent Director) he is removed by a written notice signed by all his co-directors.

27. PROCEEDINGS OF DIRECTORS

- 27.1 Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary on the requisition of a Director shall, at any time call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.
- 27.2 Meetings of the Directors shall be properly convened and held at such time or times as may be determined by the Directors but in any event, unless otherwise resolved by the Directors, must be held on not less than Four (4) occasions in each calendar year at the locations and on the dates which the Directors may from time to time decide.
- 27.3 Save in the case of meetings which are adjourned, not less than Seven (7) days' notice of each meeting of the Directors together with the agenda for such meeting and relevant papers shall be given to each Director. No business may be conducted at any meeting of the Directors otherwise than appears in the agenda for such meeting unless at least one "A" Director, one "B" Director and the Independent Director (or, in the case of the "A" Directors or the "B" Directors, an alternate of such a Director) is present and they unanimously agree otherwise in writing. A Director absent or intending to be absent from the United Kingdom may request the Board in writing that notice of Board Meetings shall, during his absence, be sent in writing to him at an address given by him to the Company for this purpose, but such notice need not be given any earlier than notice given to Directors not so absent.
- 27.4 The quorum for the transaction of the business of the Directors shall be as follows:
 - 27.4.1 The quorum for the transaction of business of the Directors shall be Three (3) Directors of whom One (1) shall be an "A" Director, One (1) shall be a "B" Director and One (1) shall be an Independent Director but a meeting shall not be treated as inquorate by reason only that a Director is prohibited from attending and voting at the meeting pursuant to Article 27.10.
 - 27.4.2 In the event that at any duly convened meeting of the Directors the meeting is not quorate (in accordance with Article 17.4.1), or if during the meeting such a quorum ceases to be present, the meeting shall be adjourned to the same day in the next week

at the same time and place (or to such other date and at such other time and place as at least one "A" Director, one "B" Director and one Independent Director may agree in writing) and notice of the adjournment and of the time and place of the adjourned meeting shall be given to all Directors by 5.00pm (or as soon thereafter as practicable) on the day of the originally convened meeting. At such adjourned meeting the quorum shall be any Two (2) Directors. --

- 27.4.3 In the event that there are no "A" Directors appointed then the quorum for the transaction of business of the Directors and any committee of the Directors shall be One (1) "B" Director and One (1) Independent Director; in the event that there are no "B" Directors appointed then the quorum shall be One (1) "A" Director and One (1) Independent Director; and in the event that there are no Independent Directors appointed then the quorum shall be One (1) "A" Director and One (1) "B" Director.
- 27.5 The Company may by ordinary resolution appoint a person who is willing to act as a Director either to fill a vacancy or as an additional Director and 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 in each case 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.
- 27.6 The Directors shall appoint an Independent Director to be the Chairman of the Company and may at any time remove him from that office. Unless he is unwilling to do so, the Chairman shall preside at every meeting of the Directors at which he is present. If there is no Independent Director holding the office of chairman or if the Chairman is unwilling to preside or is not present within Five (5) minutes after the time appointed for the meeting, the Directors shall appoint one of their number to act as Chairman.
- 27.7 All acts done by a meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director, or that any of them were disqualified from holding office or had vacated office, or were not entitled to vote, be valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.
- 27.8 A resolution in writing signed by all the Directors entitled to receive notice of a meeting of the Directors (save, where appropriate, in relation to alternate Directors) or of a committee of Directors, shall be as valid and effectual as if it has been passed at a meeting of the Directors or (as the case may be) a committee of Directors duly convened and held and may consist of several documents in the like form each signed by one or more Directors; but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director, it need not be signed by the alternate Director in that capacity.
- 27.9 All or any of the members of the Board or any committee of the Board may participate in the meeting of the Board or that committee by means of conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in the quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is.

- 27.10 Save as otherwise provided in these Articles, a Director shall not vote at any meeting of Directors or of a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is (or which the Chairman considers is) material and which conflicts (or which the Chairman considers may conflict) with the interests of the Company unless the Chairman allows him to vote or unless his interests or duty arises only because the case falls within one or more of the following paragraphs:
- (a) the resolution relates to the giving to him of guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its Subsidiaries;
 - (b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its Subsidiaries for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (c) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any of its Subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any of its Subsidiaries for subscription, purchase or exchange;
 - (d) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes.

For the purposes of this regulation, an interest of a person who is, for any purpose of the Act (excluding any statutory modification thereof not in force on the date of adoption of these Articles) connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.

- 27.11 The Company may by ordinary resolution suspend or relax to any extent either generally or in respect of any particular matter any provision of the Articles prohibiting a Director from attending or voting at a meeting of Directors or of a committee of Directors.
- 27.12 If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before conclusion of a meeting, be referred to the Chairman of the meeting and his ruling, in relation to any Director (other than himself), shall be final and conclusive.
- 27.13 A Director may act by himself or his firm in professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- 27.14 The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in their number but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Articles as the quorum, or that there is only one continuing Director, may act for the purposes of filling vacancies or of calling general meetings of the Company but not for any other purpose.

28. **SECRETARY**

Subject to the provisions of the Act, the Secretary shall be appointed by the Directors 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.

29. **MINUTES**

The Directors shall cause minutes to be made in books kept for the purpose:

- 29.1 of all appointments of officers made by the Directors;
- 29.2 of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
- 29.3 of all proceedings at meetings of the Company, of the Holders of any class of Shares in the Company, and of the Directors and of committees of Directors.

30. **THE SEAL**

The Seal shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the Seal is affixed, and unless otherwise so determined, every such instrument shall be signed by a Director and by the Secretary or by a second Director.

31. **DIVIDENDS**

- 31.1 Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors.
- 31.2 Subject to the provisions of the Act, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.
- 31.3 Except as otherwise provided by the rights attached to Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amount paid up on the Shares during any portion of the period in respect of which the dividend is paid; but, if any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.
- 31.4 Any general meeting declaring a dividend may, upon the recommendation of the Directors, direct that it shall be satisfied wholly or partly by the distribution of assets. Where any difficulty arises in regard to such distribution, the Directors may settle the same, and, in particular, may issue fractional certificates and fix the value so fixed for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest in assets in trustees.

- 31.5 Any dividend or other moneys payable on or in respect of a Share may be paid by cheque, sent by post to the registered address of the person entitled or, if two or more persons are the Holders of the Share or are jointly entitled to it by reason of the death or bankruptcy of the Holder, to the registered address of that one of those persons who is first named in the register of members or to such persons and to such address as the person or persons entitled may in writing direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to such other person as the person or persons entitled may in writing direct, and payment of the cheque shall be a good discharge to the Company. Any joint Holder or other person jointly entitled to a Share as aforesaid may give receipts for any dividend or other moneys payable on or in respect of the Shares.
- 31.6 No dividend or other moneys payable on or in respect of a Share shall bear interest against the Company unless otherwise provided by the rights attached to the Share.
- 31.7 Any dividend which has remained unclaimed for Twelve (12) years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

32. ACCOUNTS

- 32.1 The Board shall cause to be kept accounting records sufficient to show and explain the Company's transactions, and such as to disclose with reasonable accuracy at any time the financial position of the Company at that time, and which shall accord with the Act.
- 32.2 The accounting records of the Company shall be open to the inspection of any Director or the Secretary of the Company, but no member shall in his capacity as such have any right to inspect any accounting records or other book or document of the Company except as conferred by statute or authorised by the Directors by resolution of the Board or by ordinary resolution of the Company.

33. CAPITALISATION OF PROFITS

The Directors may with the authority of an ordinary resolution of the Company:

- 33.1 subject as hereinafter provided, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not the same are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve;
- 33.2 subject to the provisions of these Articles, the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf, either in or towards paying up the amounts, if any, for the time being unpaid on any Shares held by them respectively, or in paying up in full unissued Shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or partly in one way and partly in the other, in accordance with the Act; but the share premium account, the capital redemption reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in the paying up of unissued Shares to be issued to members credited as fully paid and provided that in the case where any sum is applied in paying amounts for the time being unpaid on any Shares of the Company, or in paying up in full debentures of the Company the amount of the net assets of the Company at that time is not less than the aggregate of the called up share

capital of the Company and its undistributable reserves and would not be reduced below that aggregate by the payment thereof as shown in the latest audited accounts of the Company or such other accounts as may be relevant;

- 33.3 make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of Shares or debentures becoming distributable under this Article in fractions;
- 33.4 authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any Shares or debentures to which they may be entitled upon such capitalisation (any agreement made under such authority being binding on all such members); and
- 33.5 generally do all acts and things required to give effect to the resolution.

34. NOTICES

- 34.1 The Company may give any notice to a member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address. In the case of joint Holders of a Share, all notices shall be given to the joint Holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint Holders. A member whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the Company.
- 34.2 Any member present, either in person or by proxy, at any meeting of the Company or of the Holders of any class of Shares in the Company shall be deemed to have received notice of the meeting, and, where requisite, of the purposes for which it was called.
- 34.3 Every person who becomes entitled to any Share shall be bound by any notice in respect of that Share which, before his name is entered in the register of members, has been given to the person from whom he derives his title to the Share.
- 34.4 Proof that an envelope containing a notice was properly addressed, prepaid and posted shall be conclusive evidence that the notice was given. A notice shall be deemed to be given at the expiration of 48 hours after the envelope containing it was posted.
- 34.5 A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the Articles for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by the like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

35. WINDING UP

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the

members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and may determine who the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trust for the benefit of the members as he, with the sanction, determines, but no members shall be compelled to accept any assets upon which there is a liability.

36. **PROVISION FOR EMPLOYEES**

The Company may exercise any power conferred upon it by the Act to make provision for the benefit of persons 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 Company or that Subsidiary only with the prior sanction of a special resolution. If at any time the capital of the Company is divided into different classes of Shares, the exercise of such power as aforesaid shall be deemed to be a variation of the rights attached to each class of Shares and shall accordingly require the prior consent in writing to the Holders of three-fourths in nominal value of the issued Shares of each class or the prior sanction of an extraordinary resolution passed at a separate meeting of the Holders of the Shares of each class duly convened and held.

37. **INDEMNITIES**

Subject to the provisions of the Act, the Company may purchase and maintain for any Director or other officer insurance against any liability. Subject to those provisions but without prejudice to any indemnity which a Director may otherwise be entitled, every Director or other officer or auditor of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings relating to his conduct as an officer of the Company, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 727 of the Act in which relief is granted to him by the Court. He shall be further indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may properly sustain or incur in or about the execution of his office or otherwise in relation thereto.