

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES



NEW ARTICLES OF ASSOCIATION

of

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED  
(Adopted 20 February 1987)  
(Amended 4 June 1999)

PRELIMINARY

- 1 (a) The regulations contained in Table 'A' in the Companies (Tables A to F) Regulations 1985 made pursuant to Section 8 of the Companies Act 1985 (such table and Act being hereinafter referred to respectively as "Table 'A'" and "the Act") shall apply to the Company save in so far as they are excluded or varied hereby; that is to say, Clauses 8, 24, 33, 40, 41, 50, 53, 54, 64-69 (inclusive), 73-80 (inclusive), 88, 89, 91, 93, 94, 95 and 98 in Table 'A' shall not apply to the Company and, in addition to the remaining clauses in Table 'A' as varied the following shall be the Regulations of the Company and whenever these Regulations are inconsistent with the provisions of Table 'A' these Regulations will prevail and the provisions of Table 'A' will be deemed to have been varied accordingly.
- (b) These Regulations are subject to the provisions of a Shareholders Agreement between Pepsico Holdings (1) Kentucky Fried Chicken Corporation (2) Trusthouse Forte (U.K.) Limited (3) and Kentucky Fried Chicken (Great Britain) Limited (4) ("the Shareholders Agreement")

DEFINITIONS

- (c) In these Articles, unless the context otherwise requires the following words and expressions should have the following meanings:-

Expression

Meaning

"these Articles"

these Articles of Association as amended from time to time.

"the Directors"

the Directors for the time being of the Company.

“the Office”	means the registered office for the time being of the Company.
“in writing” and “written”	includes printing lithography typewriting photography and other modes of representing or reproducing words in visible form.
“the “A” Shares”	means the “A” Ordinary Shares of £1 each of the Company from time to time in issue.
“the “B” Shares”	means the “B” Ordinary Shares of £1 each of the Company from time to time in issue.

- 2 The Company is a private limited company and accordingly no shares in or debentures of the Company shall be offered to the public (whether for cash or otherwise) and no allotment or agreement to allot (whether for cash or otherwise) shall be made of any shares in or debentures of the Company with a view to all or any of those shares or debentures being offered for sale to the public.

## SHARES

- 3 The share capital of the Company upon the adoption of these Articles is £8,004 divided into:-
- 4,002 “A” Ordinary Shares of £1 each;  
4,002 “B” Ordinary Shares of £1 each; and
- 4 The Directors may in their absolute discretion and without assigning any reason therefor decline to register any transfer of any share whether or not it is a fully paid share (except for any share transferred in accordance with Regulation 20) and may further in their absolute discretion refuse to register the transfer of a share on which the Company has a lien.
- 5 Subject to the provisions of Part V Chapter VII of the Act the Company may:-
- (A) issue any shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder thereof;
  - (B) purchase its own shares (including any redeemable Shares);
  - (C) make a payment in respect of the redemption or purchase under Sections 159 to 161 or (as the case may be) Section 162 of the Act of any of its shares otherwise than out of its distributable profits or the proceeds of a fresh issue of shares.

## CALLS

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

## PROCEEDINGS AT GENERAL MEETINGS

- 7 Subject to any special rights or restrictions as to the voting attached to any shares by or in accordance with these Articles, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or proxy not himself being a member shall have one vote and on a poll every member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote for every £1 in nominal amount of ordinary share capital of which he is the holder.
- 8 (a) A poll may be demanded by any member entitled to be present in person or by proxy and Regulation 46 in Table 'A' shall be deemed to be modified accordingly.
- (b) On a show of hands or on a poll, each of the holders of the "A" Shares and "B" Shares present (in person or by proxy in the case of a poll) at a General Meeting shall have one vote for each "A" Shares or "B" Shares held by them as applicable. No resolution presented to a General Meeting shall be deemed duly passed unless approved by all of the holders of the "A" Shares present (in person or by proxy in the case of a poll) and by all of the holders of the "B" Shares present (in person or by proxy in the case of a poll). In the case of equality of votes, whether on a show of hands or on a poll the Chairman shall not be entitled to a second or casting vote.
- 9 A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at General Meetings or by their proxies (or being corporations by their duly authorised representatives) or by their attorneys shall be as effective for all purposes as a resolution duly passed at a General Meeting of the Company duly convened and held, and may consist of several documents in the like form each signed by one or more Members or their proxies (or being corporations by their duly authorised representative) or by their Attorneys.
- 10 (a) No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the Meeting proceeds to business: save as provided in Regulation 10 (b) below two members of which at least one shareholder or a proxy (or in the case of a member which is a corporation a duly appointed representative) from each of the "A" and "B" classes of Ordinary Shares present in person or by proxy (or if a corporate member by a duly authorised representative) shall be a quorum:
- (b) If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned at the same time and place until the seventh working day following such meeting and if at such adjourned meeting the quorum shall not be present then the Shareholders attending such adjourned meeting will be deemed to be a quorum for the transaction of business at such meeting.

## DIRECTORS

- 11 Unless and until otherwise determined by the Company in General Meeting the number of Directors (other than alternate directors) shall not be less than one nor more than 9 of whom 4 shall be "A" Directors (as hereinafter defined) and 4 shall

be "B" Directors (as hereinafter defined) and a Managing Director who shall not be an "A" Director or a "B" Director.

- 12 (a) The holders of the majority of the "A" Shares may from time to time by notice in writing to the Company appoint four persons to be Directors of the Company and each of such Directors shall hereinafter be called an "A" Director.
- (b) The holders of the majority of the "B" Shares may from time to time by notice in writing to the Company appoint four persons to be Directors of the Company and each of such Directors shall hereinafter be called a "B" Director.
- 13 No person shall be disqualified from becoming a Director by reason of his attaining or having attained the age of seventy or any other age nor shall any special notice be required in connection with the appointment or the approval of the appointment of such person, and no Director shall vacate his office at any time by reason of the fact that he has attained the age of seventy or any other age.
- 14 The Managing Director of the Company shall not be entitled to vote at Meetings of the Board of Directors and if he does purport to vote at any such Meeting his vote shall not be counted.
- 15 (a) The Directors shall appoint one of their number to be Chairman of the Board of Directors.
- (b) Such Chairman shall be Chairman for a year from the date of his appointment and shall be an "A" Director and a "B" Director in alternate years and, therefore, in the event that an "A" Director is Chairman in any year then a "B" Director shall be Chairman in the next following year and vice versa.
- (c) The Chairman so appointed shall preside at every meeting of Directors at which he is present. But if the Director holding that office is not present within 10 minutes after the time appointed for the Meeting all the "A" Directors and all the "B" Directors (or their respective Alternates where appropriate) may appoint one of their number to be the Chairman of the Meeting.
- (d) The Chairman shall not by virtue of his office have a second or casting vote at any Meeting of the Board of Directors in addition to his vote as a Director.
- 16 An "A" Director or a "B" Director who declares his interest therein in manner provided by the Act may vote as a Director in regard to any contract or arrangement, in which he is interested or upon any matter arising thereout, and if he shall so vote his vote shall be counted and he shall be counted in the quorum when any such contract or arrangement is under consideration.
- 17 A resolution in writing signed by all the "A" Directors and all the "B" Directors or a resolution to which all such Directors have signified their approval by facsimile transmission shall be as valid and effectual for all purposes as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form, each signed by one or more of such Directors; but a resolution signed by an Alternate Director need not be signed by his Appointee and, if it is signed by a Director who has validly appointed an Alternate Director in accordance with these Articles of Association, it need not be signed by the Alternate Director in that capacity.

(1) Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit but regular meetings of the Board shall be held every three months in London or at such other location(s) as shall be agreed by the Board.

(2) The quorum for the transaction of business at a Meeting of Directors shall be two "A" Directors and two "B" Directors or their respective Alternates (if any).

(3) If within half an hour of the time appointed for the holding of a Directors Meeting the quorum specified above is not present, the meeting shall stand adjourned to the seventh working day following the aborted meeting at the same time and place.

(4) An "A" Director or a "B" Director may, and the Secretary at the request of any such Director shall, call a meeting of Directors.

(5) No resolution will be passed or be deemed to have been passed by the Board of Directors of the Company unless such Resolution has been approved by all of the "A" Directors and all of the "B" Directors (or their respective Alternates (if any)).

(6) It shall be necessary to give notice of meetings to Directors who are absent from the United Kingdom PROVIDED that any such absent Director has notified the Company of an address within the United Kingdom for the service of such notice.

#### ALTERNATE DIRECTORS

(a) Any "A" Director or "B" Director (other than an Alternate Director or the Managing Director) may appoint any person (other than another Director or Alternate Director) to be an Alternate Director and may remove from office an Alternate Director so appointed by him.

(b) An Alternate Director shall 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 at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence but shall not be entitled to receive any remuneration from the Company for his services as an Alternate Director or to appoint an Alternate. It shall be necessary to give notice of such a meeting to an Alternate Director who is absent from the United Kingdom Provided that such absent Alternate Director has notified the Company of an address within the United Kingdom for the service of such notice.

(c) An Alternate Director shall cease to be an Alternate Director if his appointor ceases to be a Director; but if a Director retires but is reappointed or deemed to have been reappointed at the meeting at which he retires, any appointment of an Alternate Director made by him which was in force immediately prior to his retirement shall continue after his reappointment.

(d) Any appointment or removal of an Alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment.

- (e) Save as otherwise provided in the Articles an Alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing him.

## TRANSFER OF SHARES

20

No shareholder ("the Proposing Transferor") shall sell any of its shares in the Company except either as expressly provided for in the Shareholders Agreement or in accordance with the following provisions of this Article:-

- (1) The Proposing Transferor may sell the whole (but not part thereof) of its Shares but only in accordance with the provisions and in the manner hereinafter set out.
- (2) The Proposing Transferor shall give notice in writing ("the Sale Notice") to the other Shareholder ("the Purchasing Shareholder") which term shall include a reference to a third party nominated by the Purchasing Shareholder referred to in Article 20(3) below) offering to sell the whole of its Shares in the capital of the Company ("the Sale Shares") at the negotiated arm's length price which a bona fide third party has offered for the Sale Shares and specifying the name of and the price offered by such third party.
- (3) Within forty five (45) days of the date of receipt of the Sale Notice the Purchasing Shareholder may accept or may nominate a third party to accept in writing the offer comprised in the Sale Notice by electing to purchase the Sale Shares at the price therein fixed.
- (4) Within Fourteen (14) days of the Purchasing Shareholder's acceptance the Purchasing Shareholder shall pay to the Proposing Transferor the total sale price of the Shares comprised in the Sale Notice in exchange for the delivery and transfer to the Purchasing Shareholder of the full legal and beneficial title to such Shares free from all charges liens and encumbrances of whatever kind and the Proposing Transferor shall execute such documents and do all other acts and things as may be necessary to effect such delivery and transfer.
- (5) If the Purchasing Shareholder shall reject or fail to accept the offer in accordance with Article 20(3) above the Proposing Transferor may (subject to the prior written consent of the Purchasing Shareholder, such consent not to be unreasonably withheld or delayed) within ninety (90) days of the expiry date for acceptance sell all the Sale Shares but not part thereof subject to the satisfaction of the following conditions precedent to the right to transfer:-
  - (1) the transferee must be the bona fide purchaser identified in the Sale Notice; and
  - (2) the terms of the transfer must be no more favourable to such third party than those specified in the Sale Notice; and
  - (3) For the purposes of this Article 20(5) without limitation to the generality of the word 'unreasonably', it shall be reasonable to withhold approval in respect of any proposed transferee who:

- (A) does not have relevant management experience or expertise to manage the operation of the business of the Company; or
  - (B) does not have satisfactory financial standing having regard to its duties and actual or contingent liabilities under the Shareholders Agreement; or
  - (C) owns or operates a business which competes with the business of the Purchasing Shareholder or the Company to a degree which may reasonably be said to give rise to a conflict of interest in respect of its duties herein
- (4) the proposed transferee shall at the same time as the transfer enter into an agreement supplemental to the Shareholders Agreement on terms reasonably satisfactory to the Purchasing Party whereunder the third party taking the transfer shall assume all of the liabilities of the Proposing Transferor thereunder and be novated to the rights and liabilities of the Proposing Transferor thereunder PROVIDED THAT upon any such sale the Proposing Transferor shall remain liable and be responsible for the due discharge, performance and observance of all its liabilities and obligations whether actual or contingent arising out of or on or in respect of or in connection with the Shareholders Agreement accrued at any time up to and including the date of sale.

#### ASSOCIATE DIRECTORS

- 21 The Directors shall have power from time to time by resolution to appoint any one or more persons to the office of Associate Director of the Company and the following provisions with regard to any such appointment or appointments shall have effect:
- (1) The appointment, tenure of office, remuneration (if any) and scope of duties of an Associate Director shall be determined from time to time by the Board of Directors with full power to make such arrangements as they think fit; and the Directors shall have the right to enter into any contracts on behalf of the Company or transact any business of any description without the knowledge or approval of an Associate Director, except that no act shall be done that would impose any personal liability on any Associate Director except with his full knowledge and consent.
  - (2) The Board of Directors may also from time to time remove any Associate Director from office and, if they so decide, appoint another in his place but any such removal shall take effect without prejudice to the rights of either party under any agreement between the Associate Director and the Company.
  - (3) The appointment of a person to be an Associate Director may be in place of or in addition to his employment by the Company in any other capacity but unless otherwise expressly agreed between him and the Company the appointment as Associate Director shall not affect the terms and conditions of his employment by the Company in any other capacity whether as regards duties, remuneration, pension or otherwise. The office

as an Associate Director shall be vacated if he becomes of unsound mind or bankrupt or makes any arrangement or composition with his creditors generally or becomes prohibited from being concerned or taking part in the management of the Company by reason of any order made under the Act or the Insolvency Act 1986 or if he resigns his office or is removed from office by a resolution of the Board of Directors or if he ceases to be in the employment of the Company.

- (4)
  - (a) An Associate Director shall not be or be deemed to be a director of the Company within the meaning of that term as used in the Act or these Articles; and
  - (b) no Associate Director shall be entitled to notice of to attend or be present at any meetings of the Board of (or of any committee of) Directors unless the Directors shall require him to be in attendance; and
  - (c) no Associate Director shall have access to the Accounts and books of the Company unless authorised by the Board.
- (5) An Associate Director shall attend meetings of the Directors and of any committee of the Directors whenever called upon to do so and shall at all times be ready to give the Directors the benefit of his knowledge, experience and advice.
- (6) References in these Articles to "Director" shall not include or be deemed to include any Associate Director.

#### **BORROWING POWERS**

- 22
- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and subject to Section 80 of the Act, to issue debentures and other securities. The Directors shall restrict the borrowings of the Company and exercise all rights exercisable by the Company in relation to its subsidiaries so as to ensure (as regards subsidiaries so far as by such exercise they can ensure) that, save with the previous sanction of an ordinary resolution of the Company, no money shall be borrowed if the aggregate principal amount (including any fixed or minimum premium payable on final repayment) outstanding of all moneys borrowed by the Group (exclusive of intra-Group borrowings) then exceeds or would as a result of such borrowing exceed an amount equal to 2½ (two and a half) times the aggregate of:-
    - (a) the amount paid up on the share capital of the Company; and
    - (b) the total of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve fund and credit balance on the combined profit and loss account), but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiaries and deducting any debit balance on the combined profit and loss account, all as shown in a consolidation of the then latest audited balance sheets of the Company and its subsidiaries, but adjusted as may be necessary in respect of any variation in the amount



paid up on the share capital of the Company or in the share premium account of the Company since the date of its latest audited balance sheet.

- (2) For the purpose of the preceding paragraph of this Article:-
- (a) the amount outstanding in respect of acceptances by the Group or by any bank or acceptance house under any acceptance credit opened on behalf of the Company or any of its subsidiaries (not being acceptances in relation to the purchase of goods, in the ordinary course of business) shall be taken into account as moneys borrowed;
  - (b) the principal amount (including any fixed or minimum premium payable on final repayment) of any debentures issued for cash or otherwise shall be taken into account as moneys borrowed by the company issuing the same; and
  - (c) moneys borrowed for the purpose of repaying the whole or any part of any moneys previously borrowed and then outstanding (including any fixed or minimum premium payable on final repayment) and applied for that purpose within four months of such borrowing shall not, pending such application be taken into account as moneys borrowed.
- (3) For the purposes of this Article the expression "Group" shall mean "the Company and any subsidiary or subsidiaries for the time being of the Company".
- (4) No lender or other person dealing with the Company shall be concerned to see or enquire whether such limit is observed. No debt incurred or security given in respect of moneys borrowed or to be taken into account as moneys borrowed in excess of the limit imposed by this Regulation shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time which the debt was incurred or security given that such limit had been or was thereby exceeded