

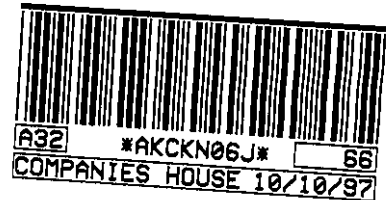
The Companies Act 1985-89

Company Limited by Shares

Special Resolution

of

South Wales Electricity plc



At an Extraordinary General Meeting of the Company held at St Mellons, Cardiff on 29 September 1997 the following resolution was passed as a Special Resolution of the Company.

Ordinary Resolution

1. THAT the authorised share capital in the Company be increased to £125,000,001 by creation of 50,000,000 new Preference Shares each having the rights set out in Article 3B of the Articles of Association of the Company as amended by resolution 2 below.

Special Resolution

2. THAT the Articles of Association be and are hereby immediately amended by the insertion of new Articles 3A and 3B (a copy of which is attached hereto) in substitution for the existing Article 3.

Ordinary Resolution

3. THAT the Directors be and are hereby generally and unconditionally authorised, without prejudice to all existing authorities, to the extent unexercised to exercise all powers of the Company to allot relevant securities (within the meaning of the Companies Act 1985, as amended) up to an aggregate nominal value of £125,000,001 provided that this authority shall expire on the fifth anniversary of the date of passing of this resolution save that the Company may prior to such expiry make an offer or agreement which would or could require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Secretary on behalf
of South Wales Electricity plc

South Wales Electricity plc (Company No. 2366985)
Articles of Association - new Articles 3A and 3B

Adopted 29 September 1997

3A. The authorised share capital of the Company at the date of adoption of this Article is £125,000,001 divided into 150,000,000 Ordinary Shares of 50p each, one Special Rights Redeemable Preference Share of £1 and 50,000,000 7% Preference Shares of £1 each ("Preference Shares").

3B. The special rights attaching to the Preference Shares comprised in the share capital of the Company shall be as follows:

(A) Income

- (i) Out of the profits of the Company available for distribution and resolved to be distributed, the holders of the Preference Shares shall be entitled, in priority to any payment of dividend to the holders of any other class of shares (other than any further Preference Shares as defined in paragraph (G) of this Article which rank pari passu with the Preference Shares) to be paid a fixed cumulative preferential dividend (the "Fixed Dividend") at a rate of 7% net per annum payable in equal half yearly instalments, such dividend to be paid (subject to Article 3(B)(1)(ii) in arrears on 31 March and 30 September in each year (each a "Dividend Payment Date") in respect of the period from (and including) the previous Dividend Payment Date (or in the case of the first such payment, the date on which the Preference Shares were issued) to (and excluding) that Dividend Payment Date.
- (ii) If any Dividend Payment Date would otherwise not be a day on which banks in the City of London are open for business (a "Business Day") then such Dividend Payment Date shall instead be the next succeeding Business Day.
- (iii) Payments of Fixed Dividends on the Preference Shares shall be made to holders on the register as at any date selected by the Directors being not more than 42 days prior to the relevant Dividend Payment Date.
- (iv) The holders of the Preference Shares shall not be entitled to any further right or participation in the profits of the Company.

(B) Capital

On a return of capital on a winding-up or otherwise (other than on a conversion, redemption, purchase of shares or capitalisation issue), the holders of the Preference Shares shall be entitled, out of the assets available for

distribution, in priority to any payment to the holders of any other class of shares (other than any Further Preference Shares referred to in paragraph (F) of this Article which rank *pari passu* with the Preference Shares) to the repayment of a sum equal to the nominal capital paid up or credited as paid up on the Preference Shares held by them respectively, together with the payment of all arrears and accruals (if any) of the said Fixed Dividend irrespective of whether or not such dividend has been declared or earned or become due and payable, such accrual to be calculated on the basis specified in Article 3B(A)(i) in respect of the period from (and including) the previous Dividend Payment Date to and including the date of commencement of the winding-up (in the case of a winding-up), or the return of capital (in any other case). The holders of the Preference Shares shall not be entitled to any further or other right of participation in the assets of the Company. If, on a return of capital on a winding-up or otherwise, the amounts available for payment are insufficient to cover in full the amounts payable on the Preference Shares, then the holders of such shares will share rateably in the assets available for distribution (if any) in proportion to the full respective preferential amounts to which they are entitled.

(c) Voting and General Meetings

- (i) The holders of the Preference Shares shall, by virtue of and in respect of their holdings of Preference Shares, have the right to receive notice of, but not to attend, speak or vote at a General Meeting of the Company unless:
 - (a) at the date of the notice convening such meeting, the Fixed Dividend on such shares is more than six months in arrears (and so that for this purpose the Fixed Dividend shall be deemed to be payable half-yearly on the dates and in respect of the periods specified in paragraph (A)(i) of this Article); or
 - (b) a resolution is to be proposed abrogating, varying or modifying and of the rights or privileges of the holders of Preference Shares or for the winding-up of the Company in which case they shall only be entitled to vote on such resolution.
- (ii) Whenever the holders of the Preference Shares are entitled to vote at a General Meeting of the Company upon any resolution proposed at such a General Meeting, on a show of hands every holder thereof who is present in person or (being a corporation) by a representative shall have one vote and on a poll every holder thereof who is present or by proxy or (being a corporation) by a representative shall have one vote for each complete £1 in nominal amount of Preference Shares registered in the name of such holder.

(D) Purchase

- (i) Subject to the provision of the Act and the Companies Act 1989, the Company may at any time purchase Preference Shares (a) in the market, or (b) by tender (available alike to all holders of Preference Shares), or (c) by private treaty, in each case at a price and upon such other terms and conditions as the Directors may think fit. The Company may exercise its rights and powers of purchase as regards the Preference Shares and any Further Preference Shares which may be issued pursuant to paragraph (E) of this Article (not being a series which is identical and forms a single series with the Preference Shares) at its sole discretion and without obligation to maintain the ration between the nominal amounts for the being outstanding of any series. On the purchase of any Preference Shares, the nominal amounts of such shares comprised in the capital of the Company may thereafter be divided into, and reclassified as, ordinary shares and/or any other class of shares in the capital of the Company without any further resolution or consent.
- (ii) Subject to the provisions of the Act and the Companies Act 1989, the purchase by the Company of any of its shares or the redemption by the Company of any redeemable shares in the Company in issued from time to time, in either case in priority to the repurchase of all or any of its Preference Shares will not constitute a variation of the rights of such Preference Shares.

(E) Further issues

- (i) the Company may from time to time create and issue further preference shares (in this Article called "Further Preference Shares") ranking as regards participation in the profits and assets of the Company *pari passu* with or subsequent to (but not in priority to) the Preference Shares. Subject to the preceding sentence, any such Further Preference Shares may either carry rights and restrictions as regards participation in the profits and assets of the Company which are identical in all respects with the Preference Shares or with any other series of Further Preference Shares or rights and restrictions differing therefrom in any respect including without prejudice to the generality of the foregoing in that:
 - (a) the rate and/or the basis of calculation of the dividend may differ;
 - (b) the Further Preference Shares may rank for dividend as from such date as may be provided by the terms of issue thereof and the dates for payment of dividend may differ;
 - (c) subject to (d) below, a premium may be payable on a return of capital or there may be no such premium;

- (d) the Further Preference Shares maybe redeemable on such terms and conditions as may be prescribed by the terms of the issue thereof and/or the Article of Association of the Company for the time being provided that the amount payable in respect of such Further Preference Shares on a winding-u- or other return of capital (including redemption) shall not exceed the amount paid up or credited as paid up on the issue and/or subscription of such shares (together with any arrears, deficiency or accrual of dividends) or may be non-redeemable; and
 - (e) the Further Preference Shares may be convertible into Ordinary Shares or any other class of shares which constitutes equity share capital ranking as regards participation in the profits or assets of the Company after the Preference Shares.
- (ii) The creation and issue by the Company of Ordinary Shares shall not be deemed to be a variation of the rights attaching to the Preference Shares.

(F) Variation of rights

The rights attached to the Preference Shares may be varied or abrogated with the written consent of the holders of three quarters in nominal value of the Preference Shares and any shares hereafter issued of the same class then in issue or with the sanction of an extraordinary resolution passed at a class meeting of the holders of such shares.

RGC