

Company number
3870728

THE COMPANIES ACT 1985

A PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

OAK (NETWORKS O&M) LIMITED

(Incorporating all amendments to 14th December, 1999)

1. The Company's name is "Oak (Networks O&M) Limited".¹
2. The Company's registered office is to be situated in England and Wales.
3. The Company's objects are:²
 - (1) to operate, manage, maintain and develop regional electricity and other utility distribution networks and to provide all related network services (other than metering services or owning or controlling (other than operational control under a contract with a third party) electricity distribution networks or electricity distributed over networks);
 - (2) to acquire and hold any kind of interest in, or provide any form of capital for, any enterprise, concern or person, to carry on business as a holding and investment company, and, generally and in addition, to carry out, or through subsidiaries or otherwise be interested or participate in, all kinds of financial, commercial, transport, industrial, technological and other transactions and activities;
 - (3) to acquire, dispose of, deal in and enter into every other kind of transaction in relation to land, buildings, plant, machinery, equipment, vehicles, ships, rigs, aircraft, merchandise, goods and other assets;
 - (4) to undertake any manufacturing, processing, assembly or similar business;
 - (5) to carry out, commission or co-ordinate any construction or engineering works or projects on land or otherwise;
 - (6) to acquire, dispose of, make a market or deal in, issue, borrow, lend and enter into every kind of transaction in relation to shares, debentures, warrants, options, securities and investments and instruments of every kind (including, without limitation, contracts for differences and contracts for futures and whether issued or

¹ The Company's name was changed from Alnery No. 1917 Limited by written resolution passed on 14th December, 1999.

² The Company's objects clause was amended by written resolution passed on 14th December, 1999.



entered into by the government of any country or territory, any public authority, any international organisation or any other person) and to carry out, enter into, manage, underwrite or arrange any issue, offering or distribution of any securities, investments or instruments of any kind;

- (7) to receive money on deposit or otherwise, to provide or arrange advances or any other form of credit or finance, to enter into or arrange transactions of every kind in relation to foreign exchange, bullion, commodities, futures, options and similar instruments and to engage in all forms of arbitrage;
- (8) to carry on all kinds of insurance business and all kinds of business connected with insurance;
- (9) to act as trustee, personal representative, director or agent of any kind and for any purposes, and to establish, operate or otherwise act in relation to any unit trust, investment trust or collective investment scheme;
- (10) to provide management, administrative, advisory, professional and technical services of any kind and in any manner;
- (11) to undertake any kind of scientific or technical research and development and acquire, develop, register, protect and renew patents, trade-marks, copyrights, designs, inventions, processes and intellectual, technical and similar rights and all forms of know-how;
- (12) to undertake any business or transaction which the directors consider can be profitably or advantageously undertaken in conjunction or concurrently with any other business or transaction being or proposed to be undertaken by the Company, and to turn to account any of the Company's assets in any manner which the directors consider expedient;
- (13) to enter into all forms of distributorship, franchise, licensing and agency transactions;
- (14) to enter into any partnership, joint venture, co-operation and similar transactions, to carry out any form of take-over, acquisition, merger, amalgamation, demerger or reorganisation, to acquire or assume all or any part of the undertaking, assets, liabilities and obligations of any person, and to dispose of all or any part of the undertaking, assets, liabilities and obligations of the Company;
- (15) to borrow or raise money by any method and to obtain any form of credit or finance;
- (16) to secure the payment of any moneys, the discharge of any liabilities and the observance or performance of any kind of obligations by the Company by any charge over the whole or any part of the undertaking and assets of the Company;
- (17) to guarantee in any manner, or to enter into any indemnity or other arrangement in relation to, the discharge of any liabilities or the observance or performance of any kind of obligations of any person, and to secure any such guarantee, indemnity or arrangement or the discharge of any liabilities or the observance or performance of any such obligations by any charge over the whole or any part of the undertaking or assets of the Company;

- (18) to give any financial assistance that may lawfully be given in connection with the acquisition of shares in the Company or any other company;
- (19) to make, draw, accept, issue, execute, indorse, avalise, negotiate and deal with instruments and securities of every kind, whether or not negotiable or transferable;
- (20) to employ, accept on secondment, retain and appoint managers, employees, professional and technical staff and personnel and advisers of every kind, and to enter into any arrangement for payment or other remuneration (including all forms of benefits) in respect of the services of such persons;
- (21) to provide or arrange for pensions, lump sum payments, gratuities, life, health, accident and other insurances and other benefits (pecuniary or otherwise) of every kind to or for the benefit of any individuals who are or have been directors of, or employed by, or who provide or have provided services to or for, the Company or any body corporate which is or has been a subsidiary, holding company or fellow subsidiary of the Company or otherwise connected with the Company or the predecessors in business of the Company or of any such subsidiary, holding or fellow subsidiary or connected company and to or for the benefit of the present or former spouses, children and other relatives and dependants of such individuals and other persons who have or formerly had with any such individuals any relationship of such a kind as the directors may approve; and for those purposes to establish or participate in any fund or scheme, to effect or contribute to any form of insurance and to enter into any other arrangements of any kind which the directors may approve;
- (22) to establish, maintain and participate in profit sharing, share holding, share option, incentive or similar schemes for the benefit of any of the directors or employees of the Company or of any such subsidiary, holding or fellow subsidiary or connected company and of any other person falling within any category approved by the directors, and (to the extent permitted by law) to lend money to any such directors, employees or persons or to trustees on their behalf to enable any such schemes to be established or maintained;
- (23) to support and subscribe to any institution or association which may be for the benefit of the Company or its directors or employees or connected with any town or place where the Company carries on business, to support and subscribe to any charitable or public object whatsoever and to make donations to bodies, associations or causes with political objects.
- (24) to distribute among the members of the Company in kind any assets of the Company;
- (25) to pay any expenses connected with the promotion, formation and incorporation of the Company, to contract with any person to pay the same, and to pay commissions, fees and expenses or issue securities of the Company for underwriting, placing, distributing, or entering into any other kind of transaction in relation to, any securities of the Company;
- (26) to exercise any power of the Company for any consideration of any kind or for no consideration whatsoever;
- (27) to exercise any power of the Company in any country or territory and by or through agents, trustees, sub-contractors or otherwise and either alone or in conjunction with others;

- (28) to do all other things (whether similar to any of the foregoing or not) which may be considered incidental or conducive to the attainment of the Company's objects or any of them;

and it is declared that:

- (a) this clause shall be interpreted in the widest and most general manner and without regard to the *eiusdem generis* rule or any other restrictive principle of interpretation;
- (b) each of the subclauses of this clause shall, unless it expressly provides to the contrary, be deemed to set out a separate, distinct and independent object of the Company and not a power ancillary or incidental to the objects set out in any other subclause;
- (c) each of those subclauses shall be without prejudice to, or to the generality of, any other subclause and shall be in no way limited or restricted by reference to or inference from any other subclause; and
- (d) in this clause:
 - (i) "assets" includes property, rights and interests of every description, whether present or future, actual or contingent and wherever situate and, in the case of the Company, its uncalled capital;
 - (ii) "charge" includes any mortgage, pledge, lien or other form of security;
 - (iii) "dispose of", in relation to an asset, includes selling or transferring it or surrendering or extinguishing it, and also creating or granting it or any interest or right out of or in respect of it;
 - (iv) "liabilities" includes debts and obligations of every description, whether present or future, actual or contingent;
 - (v) "person" includes any partnership, corporation and unincorporated body and any country, territory, public authority and international organisation;
 - (vi) "transaction" includes any scheme, arrangement and project; and
 - (vii) the word "company", except where used in reference to the Company, shall be deemed to include any partnership or other body of persons, whether corporate or unincorporate and whether incorporated, resident or domiciled in the United Kingdom or elsewhere.

4. The liability of the members is limited.

5. The Company's share capital is £100 divided into 100 shares of £1 each.³

³

The Company's share capital was increased to £50,000,200 comprising 25,000,000 H Ordinary Shares, 25,000,000 I Ordinary Shares, 100 H Preference Shares and 100 I Preference Shares by written resolution passed on 14th December, 1999.

I, the subscriber to this memorandum of association, wish to form a company pursuant to this memorandum; and I agree to take the number of shares shown opposite my name.

Name and address of subscriber

**Number of shares
taken by
subscriber**

Alnery Incorporations No.1 Limited
9 Cheapside
London EC2V 6AD

1

D.W. Stewart
for and on behalf of
Alnery Incorporations
No.1 Limited

Total shares taken

—
1
—

Dated: 27th October, 1999 .

Witness to the above signature:

C.A.J. Morris
9 Cheapside
London EC2V 6AD

Company number
3870728

THE COMPANIES ACT 1985

A PRIVATE COMPANY LIMITED BY SHARES

NEW

ARTICLES OF ASSOCIATION

OF

OAK (NETWORKS O&M) LIMITED

*(adopted by special resolution
passed on 14th December, 1999)*

PRELIMINARY

1. Except as otherwise provided in these articles, the regulations contained in Table A shall apply to the Company. For the purposes of these articles, Table A means Table A in the Schedule to the Companies (Tables A to F) Regulations 1985, as amended by the Companies (Tables A to F) (Amendment) Regulations 1985.

2. (1) In these articles:

"Act" means the Companies Act 1985;

"Affiliate" means in relation to any member (either directly or indirectly), any subsidiary undertaking or parent undertaking of that member from time to time and any other subsidiary undertaking of that parent undertaking from time to time;

"Business Day" means a day (other than a Saturday or Sunday) on which banks in London are open for general business;

"Business Plan" means the rolling five year business plan from time to time of the Company and its subsidiaries (if any);

"Financial Year" means a financial year for the purposes of the Companies Act 1985;

"H Director" means a director appointed (or deemed to have been appointed) under these articles by the H Shareholders;

"H Ordinary Shares" means the H ordinary shares of £1 each in the capital of the Company and **"H Shareholder"** means a holder of any of those shares;

"H Preference Shares" means the H preference shares of £1 each in the capital of the Company;

"holding company" and **"subsidiary"** shall have the meaning given to them in section 736 of the Act;

"I Director" means a director appointed (or deemed to have been appointed) under these articles by the I Shareholders;

"I Ordinary Shares" means the I ordinary shares of £1 each in the capital of the Company and **"I Shareholder"** means a holder of any of those shares;

"I Preference Shares" means the I preference shares of £1 each in the capital of the Company;

"Ordinary Shares" means the H Ordinary Shares and the I Ordinary Shares;

"Preference Shares" means the H Preference Shares and the I Preference Shares;

"Shares" means the H Ordinary Shares, the H Preference Shares, the I Ordinary Shares and the I Preference Shares (or any of them);

"Statutes" means the Act and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Act; and

"subsidiary undertaking " and **"parent undertaking"** shall have the meanings given in section 258 of the Companies Act 1985.

- (2) Unless the contrary intention appears words importing the singular number include the plural number and vice versa, words importing one gender include all genders and words importing persons include bodies corporate and unincorporated associations.
- (3) Headings to these articles are inserted for convenience only and shall not affect construction.

SHARE CAPITAL

- 3. (1) The authorised share capital of the Company at the date of adoption of these articles is £50,000,200 divided into 25,000,000 H Ordinary Shares, 100 H Preference Shares, 25,000,000 I Ordinary Shares and 100 I Preference Shares.
- (2) The H Ordinary Shares, the H Preference Shares, the I Ordinary Shares and the I Preference Shares shall be separate classes of shares and shall carry the respective voting rights, rights to appoint and remove directors and other class rights set out in these articles but shall rank *pari passu* in all other respects.
- (3) The Preference Shares shall confer on the holder the right:
 - (a) to receive, out of the profits of the Company available for distribution and resolved to be distributed and in priority to the holders of any other class of

shares in the capital of the Company, a cumulative preferential dividend at the rate set out in paragraph (4) below (excluding the amount of any associated tax credit) on the capital for the time being paid up on that share, such dividend to accrue from day to day and to be paid annually on 31st March in each year;

- (b) on a winding-up or other return of capital, to receive, in priority to the holders of any other class of shares in the capital of the Company, repayment in full of the capital paid up on the share and payment of a sum equal to any arrears or accruals of the fixed cumulative preferential dividend on that share, whether or not earned or declared, calculated down to and including the date of the return of capital.

(4) Subject to the provisions of article 39, in each Financial Year the dividend paid:

- (a) in respect of the H Preference Shares shall be equal to 75 per cent. of PBE; and
- (b) in respect of the I Preference Shares shall be equal to 25 per cent. of PBE.

For the purposes of this article 3(4), "**PBE**" means, in respect of each Financial Year, the profit of the Company after tax plus any amounts received by the Company (including any premium) as consideration for the issue of any shares in the capital of the Company as deferred shares pursuant to any agreement between the Company and a member of the Company, but before exceptional items (assuming the amortisation of such exceptional costs over five years from the date incurred), provided that if such amount exceeds £10 million, "PBE" shall for the purposes of this article 3(4) be deemed to be £10 million, provided that where dividends are to be paid on any Preference Shares in respect of periods of less than a Financial Year, the amount of PBE (and the maximum amount of PBE) shall be reduced pro rata.

- (5) Any arrears of dividend in respect of the Preference Shares shall attract interest (after as well as before judgement) calculated on a daily basis from the due date to the date of actual payment at the rate of 6.5 per cent. per annum.
- (6) The right to a dividend shall cease on the last Business Day prior to the fifth anniversary of the first date of issue of the Preference Shares.
- (7) Preference Shares shall not confer on the holder any further or other right to participate in the profits or assets of the Company.
- (8) Preference Shares shall not confer on the holder the right to receive notice of or to attend or to vote either in person or by proxy at any general meeting unless:
 - (a) at the date of the notice convening the meeting the fixed preferential dividend is in arrear and unpaid for six months after a half-yearly date fixed for its payment; or
 - (b) the business of the meeting includes the consideration of a resolution for winding-up the Company or reducing its share capital or varying any of the special rights attached to the Preference Shares,

in which case a Preference Share shall confer on the holder the right to attend and vote at the meeting either in person or by proxy and on a poll a Preference Shareholder shall have one vote for every Preference Share held by him but in the circumstances set out in paragraph (b) above a Preference Share shall entitle the holder to vote only on the resolution or resolutions referred to in that paragraph.

- (9) The Company shall (subject to the Statutes) on the last Business Day prior to the fifth anniversary of the first date of issue of Preference Shares redeem all of the Preference Shares in issue (if any) on that date, provided that, in respect of any Preference Share, if all arrears and amounts of dividend have not been paid in full in respect of that Preference Share on that date, such Preference Share shall be redeemed on the first Business Day following the day on which such arrears and amounts have been paid in full.
- (10) If the Company is not permitted by the Statutes to redeem any Preference Shares on the date set out in sub-paragraph (9), it shall redeem those shares as soon after that date as it shall be permitted to do so by the Statutes. If at any time the Company is permitted to redeem under sub-paragraph (9) only some of the Preference Shares, it shall redeem those shares at that time and shall redeem the remaining shares as soon as it is permitted to do so, provided that any such redemption shall be pro rata in respect of the H Preference Shares and I Preference Shares then in issue.
- (11) At any time the Company may (subject to the Statutes) redeem any Preference Share for the time being in issue.
- (12) The Company shall give at least 28 days' notice in writing (a "**redemption notice**") to the holders of Preference Shares to be redeemed under this article. A redemption notice shall specify the particular Preference Shares to be redeemed, the date when the redemption is to be effective (the "**redemption date**") and the place at which the certificates for (or such other evidence (if any) as the board may reasonably require to prove title to) those Preference Shares are to be presented for redemption.
- (13) If any redemption date would otherwise fall on a Saturday, a Sunday or a day which is a public holiday in England, then the redemption date shall be the next date which is not such a day.
- (14) If only some of the Preference Shares are to be redeemed on any redemption date under paragraph (11), the particular Preference Shares to be redeemed shall be divided pro rata in respect of the H Preference Shares and the I Preference Shares then in issue.
- (15) Subject to delivery on the redemption date to the Company of the documents required in the redemption notice by the holder of a Preference Share to be redeemed, the Company shall redeem that share and pay to the holder (or in the case of joint holders, the holder whose name first appears in the register in respect of that Preference Share) by cheque by post at the risk of the holder to (or to the order of) the holder the amount due to him in respect of that redemption.
- (16) No charge shall be made to the holder for a new certificate for (or other evidence which may reasonably be required to prove title to) Preference Shares which are not to be redeemed but which were included in a certificate (or in such other evidence of title) delivered to the Company under this article.

- (17) As from the relevant redemption date of a Preference Share to be redeemed under this article the preferential dividend shall cease to accrue on that Preference Share, unless on presentation of the documents relating to it (as required in the redemption notice), payment of the moneys due at the redemption is refused, in which case the preferential dividend on that share shall be deemed to have accrued and shall continue to accrue from and excluding the redemption date to and including the date of payment.
 - (18) On each Preference Share to be redeemed under this article the Company shall pay the sum of £1.
 - (19) The Company may create and issue further preference shares ranking as regards participation in the profits and assets of the Company *pari passu* with, but not in priority to, the Preference Shares and carrying such rights (including, but without limitation, rights as to capital, dividend, voting and redemption) as may be determined in accordance with the articles of association for the time being of the Company.
- 4.
- (1) No Shares shall be allotted without the prior written consent of all the members.
 - (2) Section 89(1) of the Act (which regulates the power to allot equity securities, as defined in section 94 of the Act) is excluded.

LIEN

5. Regulation 8 of Table A shall apply as if the words "(not being a fully paid share)" were deleted.

TRANSFER OF SHARES

- 6.
- (1) Except as provided in articles 7 and 8 neither a member nor a person entitled to Shares by transmission shall be entitled to dispose of any interest in any of its Shares:
 - (a) prior to 31st March, 2006 unless otherwise agreed in writing between the members; and
 - (b) without first offering them for transfer to the other holders of Shares whether or not of the same class. Any offer shall be in respect of all (and not part only) of the Shares (including both Ordinary Shares and Preference Shares) held by the proposing transferor and shall be made by the proposing transferor giving notice to the Company in accordance with paragraph (2) (a "**Transfer Notice**").
 - (2) The Transfer Notice shall specify the Shares offered (the "**Offered Shares**") and the price at which they are offered (the "**Specified Price**"). The Transfer Notice shall constitute the Company the agent of the proposing transferor for the sale of the Offered Shares to other holders of Shares whether or not of the same class at the Specified Price. The Transfer Notice shall contain a provision that, unless all the Offered Shares are sold under this article, none shall be sold. The Transfer Notice may not be revoked without the consent of the directors.

- (3) On receipt by the Company of the Transfer Notice the directors shall as soon as practicable give notice to all the holders of Shares whether or not of the same class as the Offered Shares (other than the proposing transferor) of the particulars of the Offered Shares and the Specified Price. The notice shall invite each of the holders to notify the Company whilst the offer remains open whether he is willing to purchase any, and if so what maximum number, of the Offered Shares. The directors shall at the same time give a copy of the notice to the proposing transferor. The offer shall remain open for a period of 30 days from the date of the notice given by the directors under this paragraph.
- (4) On the expiry of the offer period referred to in paragraph (3) the directors shall allocate the Offered Shares to those holders who have notified the Company of their willingness to purchase them and (in the case of competition) the allocation shall be made so far as practicable in proportion to the number of Shares whether or not of the same class held by them respectively but so that no holder shall be allocated more Shares than the number of Offered Shares in respect of which he has notified his willingness to purchase. No allocation of the Offered Shares shall be made under this paragraph unless all the Offered Shares are allocated.
- (5) On the allocation being made, the directors shall give notice of the allocation to the proposing transferor and to each holder who notified his willingness to purchase and, on the seventh day after notice of the allocation is given, the holders to whom the allocation has been made shall be bound to pay the purchase price for, and to accept a transfer of, the Offered Shares allocated to them respectively and the proposing transferor shall be bound, on payment of the purchase price, to transfer the Offered Shares to the respective purchasers.
- (6) If after becoming bound to transfer any Offered Shares the proposing transferor fails to do so, the Company may receive the purchase price and the directors may appoint a person to execute an instrument of transfer of those Offered Shares in favour of the purchaser and shall cause the name of the purchaser to be entered in the register of members of the Company as the holder of those Offered Shares and the Company shall hold the purchase price in trust for the proposing transferor. The receipt of the Company shall be a good discharge to the purchaser and, after his name has been entered in the register of members of the Company under this provision, the validity of the proceedings shall not be questioned by any person.
- (7) If, within a period of seven days after the expiry of the offer period referred to in paragraph (3), any of the Offered Shares are not allocated under paragraph (4), the proposing transferor may (subject to the provisions of article 10) at any time within a period of 90 days after the expiry of that further seven day period transfer the unallocated Offered Shares to any person and at any price (being not less than the Specified Price) provided that:
 - (a) no transfer of any Offered Shares shall be made under this paragraph unless all the Offered Shares are transferred; and
 - (b) the directors may require to be satisfied that the unallocated Offered Shares are to be transferred under a *bona fide* sale for the consideration stated in the transfer without any deduction, rebate or allowance to the purchaser and, if not so satisfied, may refuse to register the instrument of transfer (without prejudice, however, to the directors' absolute discretion to refuse to register any transfer of Shares under article 10).
- (8) If a member or a person entitled to a Share by transmission at any time attempts to deal with or dispose of any interest in a Share otherwise than in accordance with this

article or articles 7 or 8, he shall be deemed immediately before the attempt to have served the Company with a Transfer Notice in respect of the Share. The Transfer Notice shall be deemed to have been received by the Company on the date on which the directors receive actual notice of the attempt. The Specified Price shall be the Fair Price ascertained under article 9 as at the date on which the Transfer Notice is deemed to have been received by the Company and by reference to the information available at that date. The directors shall give notice under paragraph (3) as soon as the Specified Price is ascertained.

- (9) The restrictions on transfer contained in this article shall apply to all transfers and transmissions operating by law or otherwise.
- 7.
- (1) A corporate member may transfer all (but not part only) of its Shares to another member of its Wholly-owned Group.
 - (2) A member may transfer all (but not part only) of his Shares with the prior written consent of the holders of not less than three-fourths of all the Shares for the time being in issue.
 - (3) If a corporate member holding Shares transferred to it under paragraph (1) ceases to be a member of the same Wholly-owned Group as the corporate member who originally held those Shares, the corporate member then holding those Shares shall be deemed immediately following such event to have served the Company with a Transfer Notice in respect of those Shares in accordance with article 6(8) above.
 - (4) For the purposes of this article a "**Wholly-owned Group**" means a body corporate and any holding company of which it is a wholly-owned subsidiary and any other wholly-owned subsidiaries of that holding company (including any wholly-owned subsidiary of the body corporate).
- 8.
- (1) The provisions of this article shall apply in such circumstances as the members shall, from time to time, agree in writing.
 - (2) Any member (the "**Offeror**") may make an offer to the other member (or members where there are more than two members) (the "**Offeree**") to sell all of the Offeror's Shares in the Company at a Fair Price calculated in accordance with article 9 below and as specified in the offer.
 - (3) The Offeree may within 30 days of the offer being made, accept or reject the offer in writing. If the Offeree fails to respond to the Offer within 30 days it shall be deemed to have rejected the offer.
 - (4) If the Offeree rejects the offer referred to in paragraph (3) above, the Offeror shall, within 10 Business Days of such actual or deemed rejection, make a further offer to the Offeree to sell all of the Offeror's Shares in the Company at whatever price it determines (which need not be the Fair Price).
 - (5) The Offeree shall within 30 days of such second offer being made:
 - (i) accept the offer in writing; or
 - (ii) give notice to the Offeror that it wishes to sell all of its Shares to the Offeror at the same price.

- (6) If the Offeree shall fail to respond to the offer within 30 days it shall be deemed to have served the notice referred to in paragraph (5)(ii) above.
 - (7) If the Offeror otherwise becomes entitled to acquire the Offeree's Shares prior to the Offeree giving a notice in accordance with paragraph (3) or (5) above then the Offeror may withdraw its offer and exercise such other rights to acquire the Offeree's Shares. If the Offeree otherwise becomes entitled to acquire the Offeror's Shares prior to giving a notice in accordance with paragraph (3) or (5) above, the Offeree may exercise such other rights to acquire the Offeror's Shares and on any such exercise the provisions of this article shall cease to have effect.
 - (8) If the Offeree gives notice that it accepts the offer then the Shareholders shall, subject to complying with the requirements of any relevant regulatory authority, be obliged to complete the sale and purchase of the Offeror's Shares within 90 days of the acceptance or, if later, within 5 Business Days of such compliance.
 - (9) If the Offeree gives notice or is deemed to have given notice that it wishes to sell its Shares to the Offeror then the Shareholders shall, subject to complying with the requirements of any relevant regulatory authority, be obliged to complete the sale and purchase of the Offeree's Shares within 90 days of the notice or deemed notice or, if later, within 5 Business Days of such compliance.
 - (10) If the member obliged to transfer its Shares pursuant to subclause (8) or (9) fails to do so then a director appointed by the transferee shall be deemed to be the duly appointed attorney of the transferor with all necessary power to execute, complete and deliver in the name and on behalf of the transferor a transfer of the transferor's Shares to the transferee and to receive and give a good discharge for the purchase money on behalf of the transferor.
9. (1) For the purposes of article 6(8) and article 8(2) "**Fair Price**" means:
- (a) in relation to Ordinary Shares, the percentage of the value which the auditors of the Company (or, if the auditors of the Company are not willing to make such valuation, such other independent firm of chartered accountants appointed by agreement between the parties concerned or, in the absence of such agreement within 21 days on the application of one such party, by the President for the time being of the Institute of Chartered Accountants in England and Wales) state in writing to be in their opinion the open market value of the Company which those Ordinary Shares comprise of the total issued ordinary share capital of the Company. Such valuation shall be on the basis of a sale between a willing seller and a willing purchaser and, if the Company is then carrying on business as a going concern, on the assumption that it will continue to do so and will, so far as necessary, continue to be financed for this purpose (less the value of the Preference Shares calculated in accordance with paragraph (b) below); and
 - (b) in relation to Preference Shares the price which the auditors of the Company state in writing to be in their opinion the fair value of the Preference Shares on a sale as between a willing seller and a willing purchaser and, if the Company is then carrying on business as a going concern, on the assumption that it will continue to do so and will, so far as necessary, continue to be financed for this purpose.

- (2) In stating the Fair Price the auditors or independent firm of chartered accountants (whose charges shall be borne by the Company) shall act as experts and not as arbitrators and their decision shall (in the absence of fraud or manifest error) be final and binding on the parties.
- 10. (1) The directors shall refuse to register a proposed transfer not made under or permitted by articles 6, 7 or 8.
- (2) The directors may also refuse to register a transfer of a Share on which the Company has a lien.
- (3) A person executing an instrument of transfer of a Share is deemed to remain the holder of the Share until the name of the transferee is entered in the register of members of the Company in respect of it.
- (4) The first sentence of regulation 24 of Table A shall not apply.

GENERAL MEETINGS

- 11. (1) No business shall be transacted at any general meeting unless a quorum is present. Two members present in person or by proxy shall be a quorum at any general meeting of which one shall be or represent an H Shareholder and the other shall be or represent an I Shareholder. Regulation 40 of Table A shall not apply to the Company.
- (2) If at any adjourned meeting such a quorum is not present within fifteen minutes from the time appointed for the adjourned meeting the meeting shall be dissolved. Regulation 41 of Table A shall apply accordingly.
- 12. A poll may be demanded at any general meeting by the chairman or by any member present in person or by proxy and entitled to vote. Regulation 46 of Table A shall be amended accordingly.
- 13. The chairman at any general meeting shall not be entitled to a second or casting vote. Regulation 50 of Table A shall not apply.
- 14. (1) A general meeting or a meeting of any class of members of the Company may consist of a conference between members some or all of whom are in different places provided that each member who participates is able:
 - (a) to hear each of the other participating members (including the chairman) addressing the meeting; and
 - (b) if he so wishes, to address all of the other participating members simultaneously,whether directly, by conference telephone or by any other form of communications equipment (whether in use when these articles are adopted or not) or by a combination of those methods.
- (2) A quorum is deemed to be present if those conditions are satisfied in respect of at least the number of members required to form a quorum.

- (3) A meeting held in this way is deemed to take place at the place where the largest group of participating members is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.
- (4) A resolution put to the vote of a meeting shall be decided by each member indicating to the chairman (in such manner as the chairman may direct) whether the member votes in favour of or against the resolution or abstains. Regulation 46 of Table A shall be amended accordingly.
- (5) References in this article to members shall include their duly appointed proxies and, in the case of corporate members, their duly authorised representatives.

SHAREHOLDERS' RESOLUTIONS

- 15. A resolution in writing signed or approved by letter, facsimile, telegram or telex by or on behalf of all the members of the Company who would be entitled to vote on it if it had been proposed at a general meeting or at a meeting of any class of members of the Company shall be as valid and effectual as if it had been passed at a general meeting or at such class meeting (as the case may be) duly convened and held. The resolution may be contained in one document or in several documents in like form each stating the terms of the resolution accurately and signed by or on behalf of one or more of the members. This article is in addition to, and not limited by, the provisions in sections 381A, 381B and 381C of the Act. Regulation 53 of Table A shall not apply.

VOTES OF MEMBERS

- 16.
 - (1) On a show of hands every member present in person or by proxy shall have one vote and on a poll the H Shareholders present in person or by proxy as a class shall have one vote in aggregate and the I Shareholders present in person or by proxy as a class shall also have one vote in aggregate, provided that:
 - (a) no H Ordinary Share shall confer any right to vote upon a resolution for the removal from office of an I Director; and
 - (b) no I Ordinary Share shall confer any right to vote upon a resolution for the removal from office of an H Director.
 - (2) For the purposes of paragraph (1) but without prejudice to the provisions of article 17 the vote attached on a poll to a class of Shares shall be exercised by any member present in person or by proxy holding Shares of that class in accordance with the wishes of the members present in person or by proxy holding the majority of the Shares of that class.
 - (3) Regulation 54 of Table A shall not apply.
 - (4) The instrument appointing a proxy and any authority under which it is executed (or such copy of the instrument or the authority or both as the directors may approve) may be deposited at the place where the meeting or adjourned meeting is to be held at any time before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. This provision is in addition and without prejudice to the provisions of paragraphs (a), (b) and (c) of regulation 62 of Table A and the last provision of regulation 62 shall be amended accordingly.

VARIATION OF RIGHTS

17. (1) Whenever the capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.
- (2) All the provisions of these articles relating to general meetings of the Company or to the proceedings at general meetings shall apply, *mutatis mutandis*, to every such separate general meeting, except that:
- (a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third in nominal value of the issued Shares of the class;
 - (b) at an adjourned meeting the necessary quorum shall be one person holding Shares of the class or his proxy;
 - (c) every holder of Shares of the class shall, on a poll, have one vote in respect of every Share of the class held by him; and
 - (d) a poll may be demanded by any one holder of Shares of the class whether present in person or by proxy.
- (3) Unless otherwise expressly provided by the terms of their issue, the rights attached to any class of Shares shall not be deemed to be varied or abrogated by the creation or issue of further Shares ranking *pari passu* with them.

DIRECTORS

18. (1) The directors (other than alternate directors) shall, unless otherwise determined by an ordinary resolution of the Company, be five in number of whom two shall be H Directors, two shall be I Directors and one shall be an Independent Director.
- (2) The Independent Director shall be appointed and removed by notice in writing to the Company from the H Shareholders and the I Shareholders or as otherwise agreed between the H Shareholders and the I Shareholders in writing. Regulation 64 of Table A shall not apply to the Company.
- (3) At the third annual general meeting following incorporation of the Company and at every third annual general meeting thereafter the Independent Director then in office shall retire from office. If the Company, at the meeting at which the Independent Director retires, does not fill the vacancy in accordance with paragraph (2) above, the retiring Independent Director shall, if willing to act, be deemed to have been reappointed unless at the meeting a resolution for the reappointment of the Independent Director is put to the meeting and lost. If the Independent Director is not reappointed he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

19. (1) Subject to the limits in these articles on the number of directors the H Shareholders may at any time appoint any person as an H Director and the I Shareholders may at any time appoint any person as an I Director.
- (2) The H Shareholders and I Shareholders respectively may at any time remove from office any H or I Director appointed by them and may appoint any person as a director in place of any director so removed or in place of any director appointed by them who vacates his office or dies. Of the directors in office at the date of adoption of these articles, Philip Turberville and Paul Marsh shall be deemed to have been appointed as H Directors.
- (3) Every appointment or removal under this article shall be made in writing signed by or on behalf of the holders for the time being of a majority of the Shares of the relevant class (a corporation holding any such Shares acting by resolution of its directors evidenced by the signature of one of its directors or its secretary) and shall take effect on and from the date on which the notice of appointment or removal is lodged at the registered office of the Company or produced at a meeting of the directors.
20. A director need not be a member of the Company. A director who is not a member of the Company shall be entitled to receive notice of, attend and speak at general meetings.
21. (1) A director may:
- (a) be interested in, directly or indirectly, any transaction or arrangement with the Company or in which the Company is otherwise interested; and
- (b) hold and be remunerated in respect of any office (except the office of auditor) or place of profit under the Company and he or any firm of which he is a partner may act in a professional capacity for the Company and be remunerated in respect of any such services.
- (2) Regulation 85 of Table A shall be amended accordingly.
22. The directors shall not be subject to retirement by rotation and regulations 73 to 80 (inclusive) of Table A shall not apply.
23. No director shall be appointed otherwise than as provided in these articles. Regulation 90 of Table A shall apply as if the words "filling vacancies or of" were deleted.

ALTERNATE DIRECTORS

24. (1) In addition to the persons mentioned in regulation 65 of Table A, any director (other than an alternate director or the Independent Director) may appoint a director of any holding company of the Company or of any other subsidiary of that holding company or any person approved by a majority of the other directors to act as an alternate director.
- (2) An alternate director shall be entitled to receive notice of all meetings of directors, to attend and to vote at any such meeting at which the director appointing him is not personally present and at that meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the

proceedings at that meeting the provisions of these articles shall apply as if he was a director. Regulation 66 of Table A shall not apply.

- (3) Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he shall count as only one for the purpose of determining whether a quorum is present. The last sentence of each of regulations 88 and 89 of Table A shall not apply.
- (4) Any person appointed as an alternate director shall vacate his office as an alternate director if the director by whom he has been appointed ceases to be a director or removes him or on the happening of any event which, if he is or were a director, causes or would cause him to vacate that office. Regulation 67 of Table A shall not apply.
- (5) An alternate director shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of the director appointing him. Regulation 69 of Table A shall not apply.

POWERS OF DIRECTORS

- 25. (1) The powers of the directors mentioned in regulation 87 of Table A shall be exercisable as if the word "executive" (which appears before the word "office") were deleted.
- (2) Without prejudice to any other of their powers, the directors may exercise any of the powers conferred by the Statutes to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or any of its subsidiaries.

PROCEEDINGS OF DIRECTORS

- 26. The quorum for a meeting of the directors shall throughout the meeting be at least one H Director and one I Director. The first sentence of regulation 89 of Table A shall not apply.
- 27. A committee of the directors shall include at least one H Director and one I Director and the quorum for a meeting of any such committee shall throughout the meeting be at least one H Director and one I Director. Regulation 72 of Table A shall apply accordingly.
- 28. (1) In the case of an equality of votes at any meeting of the directors or a committee of the directors the chairman of the meeting shall not have a second or casting vote. Regulation 88 of Table A shall be amended accordingly.
- (2) Questions arising at any meeting of the directors or of any committee of the directors shall be decided by a majority of votes provided that:
 - (a) any one or more of the H Directors present at any meeting of the directors (including alternate directors representing any such directors) may exercise the voting power of such other H Directors as are not present in person or otherwise represented at the meeting provided all the H Directors present cast their votes the same way in respect of the matter being voted upon; and

- (b) any one or more of the I Directors present at any meeting of the directors (including alternate directors representing any such directors) may exercise the voting power of such other I Directors as are not present in person or otherwise represented at the meeting provided all the I Directors present cast their votes in the same way in respect of the matter being voted upon.
- 29. Provided that he has disclosed to the directors the nature and extent of any material interest of his, a director may vote as a director on a resolution concerning any matter in which he has, directly or indirectly, an interest or duty and, if he votes, his vote shall be counted and he shall be counted in the quorum when that resolution or matter is under consideration. Regulations 94 to 96 (inclusive) of Table A shall not apply.
- 30. Notices of meetings of the directors shall be given to all directors and to any alternate directors appointed by them. Regulation 88 of Table A shall be amended accordingly.
- 31. Regulation 93 of Table A (written resolutions of directors) shall apply as if the word "signed" included "approved by letter, facsimile, telegram or telex".
- 32.
 - (1) A meeting of the directors may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:
 - (a) to hear each of the other participating directors addressing the meeting; and
 - (b) if he so wishes, to address all of the other participating directors simultaneously,whether directly, by conference telephone or by any other form of communications equipment (whether in use when these articles are adopted or not) or by a combination of those methods.
 - (2) A quorum is deemed to be present if those conditions are satisfied in respect of at least the number of directors required to form a quorum, subject to the provisions of article 29.
 - (3) A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

EXECUTIVE DIRECTORS

- 33.
 - (1) The directors may appoint one or more of their number to any executive office in the Company, (including, but without limitation, that of deputy chairman, chief executive, managing director or joint managing director) for such period and on such terms as they think fit, and may revoke or terminate any appointment so made without prejudice to any claim for damages for breach of any agreement between the director and the Company.
 - (2) The remuneration of any director appointed to any executive office shall be fixed by the directors and may be by way of salary, commission, participation in profits and either in addition to or inclusive of his remuneration as a director.
 - (3) Regulation 84 of Table A shall not apply.

DESIGNATION AS "DIRECTOR"

34. The directors may, at any time and from time to time, appoint any person (not being a director) to any executive position or employment under the Company having a title or designation which includes the word "director" and may terminate any such appointment. The inclusion of the word "director" in the title or designation of any such position or employment shall not imply that the holder is a director of the Company or that he is authorised or empowered to act as, or is liable as, a director of the Company in any respect and he shall not be deemed to be a director for any purpose.

SEAL

35. (1) The Company may exercise the powers conferred by the Statutes with regard to having official seals and those powers shall be vested in the directors.
- (2) The directors shall provide for the safe custody of every seal which the Company may have.
- (3) A seal shall be used only by the authority of the directors or a duly authorised committee but that authority may consist of an instruction or approval given by letter, facsimile, telegram, telex or telephone by a majority of the directors or of the members of a duly authorised committee.
- (4) The directors may determine who shall sign any instrument to which a seal is applied, either generally or in relation to a particular instrument or type of instrument, and may also determine, either generally or in any particular case, that such signatures shall be dispensed with or affixed by some mechanical means.

Unless otherwise decided by the directors every instrument to which a seal is applied shall be signed by at least one director and the secretary or by at least two directors.

- (5) Certificates for shares, debentures or other securities of the Company need not be sealed with the seal but may be signed on behalf of the Company by at least one director and the secretary or by at least two directors or by such other person or persons as may be authorised by the directors for that purpose. Regulation 6 of Table A shall be amended accordingly. Regulation 101 of Table A shall not apply.

NOTICES

36. (1) The Company may give any notice to a member either personally or by sending it by prepaid first class post or facsimile transmission 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.
- (2) Regulation 112 of Table A shall not apply and regulation 116 shall apply as if the words "within the United Kingdom" did not appear.
37. (1) Proof that:
- (a) an envelope containing a notice was properly addressed, prepaid and posted (by first class post, where available); or

- (e) a facsimile transmission setting out the terms of a notice was properly addressed and despatched

shall be conclusive evidence that the notice was given. A notice shall be deemed to be given at the expiry of 24 hours after the envelope containing it was posted or, in the case of facsimile transmission, on receipt of a transmission report showing successful transmission.

- (2) Regulation 115 of Table A shall not apply.

INDEMNITY

- 38. (1) Subject to the provisions of and to the extent permitted by the Statutes, every director or other officer (excluding an auditor) of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office, but:
 - (a) this indemnity shall not apply to any liability to the extent that it is recovered from any other person; and
 - (b) the indemnity is subject to such officer taking all reasonable steps to effect such recovery, so that the indemnity shall not apply to the extent that an alternative right of recovery is capable of being enforced.
- (2) Regulation 118 of Table A shall not apply.

CALCULATION OF DIVIDEND ENTITLEMENT

- 39. (1) Any calculation of dividends to be paid by the Company to a member in any Financial Year shall be reduced by the Loss (as defined in paragraph (5) below) suffered by the Company in respect of the relevant member (or its Affiliate) in that Financial Year.
- (2) Such Loss shall be set off:
 - (a) firstly against any dividends to be paid on any Preference Shares held by that member; and
 - (b) secondly against any dividends to be paid on any Ordinary Shares held by that member.
- (3) To the extent that the Loss exceeds the total dividends to be paid to that member in the relevant Financial Year, the excess shall be held over and added to the Loss (if any) and set off against any dividends to be paid to that member in the following (and, if necessary, any subsequent) Financial Year.
- (4) Loss shall be calculated by the Company in accordance with article 39(5) below and such calculation shall, in the absence of manifest error, be valid and binding on the members.

- (5) For the purposes of this article 39, "Loss" shall mean the amount by which costs, excluding exceptional costs (assuming the amortisation of such exceptional costs over five years from the date incurred), of performance by the Company are greater than revenue received by the Company under any contract in excess of five years' duration between the Company and the relevant member (or any of its Affiliates) in relation to the operation, management, maintenance and development of the electricity distribution system of that member (or any Affiliate).