

Dated

2019

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION OF LEE VALLEY HEAT NETWORK OPERATING COMPANY LIMITED

Company No: 09763702

PART 1

INTERPRETATION AND LIMITATION OF LIABILITY

1 Model articles not to apply

The model articles for private companies limited by shares contained in Schedule 1 of The Companies (Model Articles) Regulations 2008 (SI 2009/3229) as amended prior to the date of adoption of these Articles shall not apply to the company. References to the **Articles** shall be to the following articles of association as amended from time to time.

2 Defined terms

2.1 In these Articles, unless the context requires otherwise:

Act	means the Companies Act 2006;
bankruptcy	includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy
business day	means any day (other than a Saturday, Sunday or public holiday in the United Kingdom) on which clearing banks in the City of London are generally open for business;
chairperson	has the meaning given in article 14.1;
chairperson of the meeting	has the meaning given in article 46;
Companies Acts	means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the company;
Conflict	has the meaning given in article 21.1;
controlling shareholder	means a person who is the holder of at least 75% of all of the issued shares in the company;
council	means the Mayor and Burgesses of the London Borough of Enfield or any successor body thereto;
councillor	means a councillor director who is appointed under Article 21.1;
delegation matrix/shareholder reserved matters	the delegation matrix document and/or list of shareholder reserved matters adopted and approved by the controlling shareholder at the date of adoption of these Articles as amended from time to time with the consent of the controlling shareholder in

	accordance with article 9.2;
director	means a director of the company, and includes any person occupying the position of director, by whatever name called;
document	includes, unless otherwise specified, any document sent or supplied in electronic form
electronic form	has the meaning given in section 1168 of the Act;
eligible director	means a director who would be entitled to vote on the matter at a meeting of directors (but excluding any director whose vote is not to be counted in respect of the particular matter);
fully paid	in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;
hard copy form	has the meaning given in section 1168 of the Act;
holder	in relation to shares means the person whose name is entered in the register of members as the holder of the shares;
instrument	means a document in hard copy form;
observer	means a person who attends board meetings of the company in an advisory capacity only in accordance with article 26;
ordinary resolution	has the meaning given in section 282 of the Act;
paid	means paid or credited as paid;
participate	in relation to a directors' meeting, has the meaning given in article 16;
proxy notice	has the meaning given in article 52;
shareholder	means a person who is the holder of a share in the company;
shares	means shares in the company;
special resolution	has the meaning given in section 283 of the Act;
subsidiary	has the meaning given in section 1159 of the Act;
transmittee	means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by

operation of law; and

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 2.2 Unless the context otherwise requires, words and expressions which have particular meanings in the Act shall have the same meanings in these Articles.
- 2.3 Headings in these Articles are used for convenience only and shall not affect the construction or interpretation of these Articles.
- 2.4 A reference in these Articles to an **article** is a reference to the relevant article of these Articles unless expressly provided otherwise.
- 2.5 Unless expressly provided otherwise, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of:
- 2.5.1 any subordinate legislation from time to time made under it, and
 - 2.5.2 any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 2.6 Any phrase introduced by the terms **including**, **include**, **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

3 Liability of members

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4 Objects clause

- 4.1 The objects of the company are to undertake, develop, finance and/or direct the operation of business activities that provide or promote the provision of low-cost, low-carbon energy for the benefit of industry, public sector organisations and residents in Enfield and neighbouring local authority areas, and subject to that qualification, the objects for which the company is established are:
- 4.1.1 to carry on in any manner that the company thinks fit the business of generating, distributing and supplying energy (which shall include, but shall not be limited to, electricity, heating and cooling) to consumers, businesses and organisations, generally trading and dealing in fuels and in wholesale and retail energy markets, and purchasing, selling or otherwise disposing of waste and other commodities;

- 4.1.2 to provide advisory and other services in relation to distributed energy systems, renewable and low-carbon energy services, energy efficiency and urban regeneration;
 - 4.1.3 to fund and otherwise assist and advise on the development of distributed energy systems, procure and provide training programmes and disseminate information in relation to distributed energy and energy efficiency; and
 - 4.1.4 to carry on any other business which may seem to the company capable of being conveniently carried on in connection with any of the above specified objects, or calculated to enhance the value of the company's services, assets, property or rights.
- 4.2 In pursuance of the object set out in article 4.1, the company has the power to:
- 4.2.1 buy, lease or otherwise acquire and deal with any property real or personal and any rights or privileges of any kind over or in respect of any property real or personal and to improve, manage, develop, construct, repair, sell, lease, mortgage, charge, surrender or dispose of or otherwise deal with all or any part of such property and any and all rights of the company;
 - 4.2.2 borrow and raise money in such manner as the directors shall think fit and secure the repayment of any money borrowed, raised or owing by mortgage, charge, lien or other security on the company's property and assets;
 - 4.2.3 invest and deal with the funds of the company not immediately required for its operations in or upon such investments, securities or property as may be thought fit;
 - 4.2.4 subscribe for, take, buy or otherwise acquire, hold, sell, deal with and dispose of, place and underwrite shares, stocks, debentures, debenture stocks, bonds, obligations or securities issued or guaranteed by any government or authority in any part of the world;
 - 4.2.5 lend and advance money or give credit on such terms as may seem expedient and with or without security to customers and others, to enter into guarantees, contracts of indemnity and suretyships of all kinds to receive money on deposit or loan upon such terms as the company may approve and to secure or guarantee the payment of any sums of money or the performance of any obligation by any company, firm or person including any holding company or subsidiary;
 - 4.2.6 lobby, advertise, publish, educate, examine, research and survey in respect of all matters of law, regulation, economics, accounting, governance, politics and/or other issues and to hold meetings, events and other procedures and co-operate with or assist any other body or organisation in each case in such way or by such means as may, in the opinion of the directors, affect or advance the principal object in any way;

- 4.2.7 pay all or any expenses incurred in connection with the promotion, formation and incorporation of the company and to contract with any person, firm or company to pay the same;
- 4.2.8 enter into contracts to provide services to or on behalf of other bodies;
- 4.2.9 provide and assist in the provision of money, materials or other help;
- 4.2.10 open and operate bank accounts and other facilities for banking and draw, accept, endorse, issue or execute promissory notes, bills of exchange, cheques and other instruments;
- 4.2.11 incorporate subsidiary companies to carry on any trade; and
- 4.2.12 do all such other lawful things as are incidental or conducive to the pursuit or to the attainment of any of the object set out in article 4.1.

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

5 Directors' general authority

- 5.1 Subject to any provision of these Articles to the contrary (including but not limited to article 9.2), the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.
- 5.2 Any matters which require the consent of the controlling shareholder pursuant to the delegation matrix/list of shareholder reserved matters from time to time shall not be carried out without the prior written consent of the controlling shareholder and each of the directors shall use their respective rights and powers to procure, so far as they are each able, that no such matter is carried out unless the required consent has been given. In particular, no amendment or variation to the delegation matrix/list of shareholder reserved matters which would reduce or limit those matters which require the consent of the controlling shareholder shall be approved by the company without the prior written consent of the controlling shareholder.

6 Shareholders' reserve power

- 6.1 The controlling shareholder may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

7 Directors may delegate

- 7.1 Subject to the Articles (and in particular article 9.2), the directors may delegate any of the powers which are conferred on them under the Articles:
 - 7.1.1 to such person (including but not limited to any subsidiary of the company) or committee;
 - 7.1.2 by such means (including by power of attorney);
 - 7.1.3 to such an extent;
 - 7.1.4 in relation to such matters or territories; and
 - 7.1.5 on such terms and conditions,as they think fit, and the directors may make any rule which they think fit about how any such delegation should operate.
- 7.2 If the directors so specify, any such delegation may (subject to article 9.2) authorise further delegation of the directors' powers by any person to whom they are delegated.

- 7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 Committees

- 8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by directors.

- 8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

- 8.3 Notwithstanding the generality of the above provisions of this article 8, in the event that either of the thresholds detailed in article 8.4 below are achieved the directors of the company shall set up standing committees for the following:

8.3.1 finance committee to monitor the finances, guide the preparation of financial proposals to the board, supervise spending and assess risks; and

8.3.2 personnel committee to create job descriptions, set performance standards and evaluate employees, to conduct the hiring of staff, to prepare guidance for employees and to advise the Board and management on pay; and

8.3.3 procurement committee to monitor procurement, guide the preparation of procurement proposals to the board, supervise procurement and assess risks.

- 8.4 The relevant thresholds for article 8.3 above are:

8.4.1 the annual turnover of the company exceeds £10 million; and

8.4.2 the company employs or engages over 25 people.

DECISION-MAKING BY DIRECTORS

9 Directors to take decisions collectively

- 9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 10.

- 9.2 If:

9.2.1 the company only has one director for the time being, and

9.2.2 no provision of the Articles requires it to have more than one director,

9.2.3 the general rule does not apply, and the director may (for so long as they remain the sole director) take decisions without

regard to any of the provisions of the Articles relating to directors' decision-making.

10 Unanimous decisions

- 10.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.
- 10.2 Such a decision may take the form of a resolution in writing, where each eligible director has signed one or more copies of it, or to which each eligible director has otherwise indicated agreement in writing.
- 10.3 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

11 Calling a directors' meeting

- 11.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.
- 11.2 Notice of any directors' meeting must indicate:
 - 11.2.1 its proposed date and time;
 - 11.2.2 where it is to take place; and
 - 11.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 11.3 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 11.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company at any time before or after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 Participation in directors' meetings

- 12.1 Subject to the Articles, directors participate in a directors' meeting, or part of a directors' meeting, when:
 - 12.1.1 the meeting has been called and takes place in accordance with the Articles; and
 - 12.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

- 12.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 12.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

13 Quorum for directors' meetings

- 13.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 13.2 Subject to article 13.3, the quorum for the transaction of business at a meeting of directors shall be:
 - 13.2.1 three eligible directors, which must include one councillor ; or
 - 13.2.2 the managing director and one councillor (provided each is an eligible director for the purpose of the meeting).
- 13.3 For the purposes of any meeting (or part of a meeting) held pursuant to article 17 to authorise a director's conflict, if there are fewer directors in office of any class other than the conflicted director(s) who would constitute a quorum, the quorum for such meeting (or part of a meeting) shall be the remaining eligible directors.
- 13.4 If the total number of directors in office for the time being is less than the quorum required, the directors must not take any decision other than a decision to:
 - 13.4.1 request that the shareholders appoint further directors in accordance with the Articles; or
 - 13.4.2 call a general meeting so as to enable the shareholders to appoint further directors.

14 Chairing of directors' meetings

- 14.1 The controlling shareholder may appoint a director to chair their meetings (chairperson). The first such director shall be the director holding the position of managing director of the company.
- 14.2 The appointed person, if present at the meeting, shall be referred to in these Articles as the chairperson.
- 14.3 The controlling shareholder may terminate the chairperson's appointment as chairperson at any time and appoint a replacement.
- 14.4 If the chairperson is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

15 Casting vote

- 15.1 If the numbers of votes for and against a proposal at a meeting of directors are equal, the chairperson or other director chairing the meeting has a casting vote.
- 15.2 Article 15.1 shall not apply in respect of a particular meeting (or part of a meeting) if, in accordance with the Articles, the chairperson or other director is not an eligible director for the purposes of that meeting (or part of a meeting).

16 Transactions or other arrangements with the company

- 16.1 Subject to sections 177(5) and 177(6) and sections 182(5) and 182(6) of the Act and provided they have declared the nature and extent of their interest in accordance with the requirements of the Companies Acts, a director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the company:
 - 16.1.1 may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise (directly or indirectly) interested;
 - 16.1.2 shall be an eligible director for the purposes of any proposed decision of the directors (or committee of directors) in respect of such existing or proposed transaction or arrangement in which they are interested;
 - 16.1.3 shall be entitled to vote at a meeting of directors or of a committee of the directors, or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which they are interested;
 - 16.1.4 may act by them self or their firm in a professional capacity for the company (otherwise than as auditor) and they or their firm shall be entitled to remuneration for professional services as if they were not a director;
 - 16.1.5 may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the company is otherwise (directly or indirectly) interested; and
 - 16.1.6 shall not, save as they may otherwise agree, be accountable to the company for any benefit which they (or a person connected with them (as defined in section 252 of the Act)) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of their duty under section 176 of the Act.

- 16.2 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 16.3 Subject to article 16.4, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairperson whose ruling in relation to any director other than the chairperson is to be final and conclusive.
- 16.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairperson, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairperson is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 Directors' conflicts of interest

- 17.1 The directors may, in accordance with the requirements set out in this article, authorise any matter or situation proposed to them by any director which would, if not authorised, involve a director (an **Interested Director**) breaching their duty under section 175 of the Act to avoid conflicts of interest (a **Conflict**).
- 17.2 Any authorisation under this article will be effective only if:
- 17.2.1 the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of these Articles or in such other manner as the directors may determine;
 - 17.2.2 any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and
 - 17.2.3 the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.
- 17.3 Any authorisation of a Conflict under this article 17 may (whether at the time of giving the authorisation or subsequently):
- 17.3.1 extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
 - 17.3.2 provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the directors or otherwise) related to the Conflict;
 - 17.3.3 provide that the Interested Director shall or shall not be an eligible director in respect of any future decision of the directors in relation to any resolution related to the Conflict;

- 17.3.4 impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the directors think fit;
 - 17.3.5 provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through their position as a director of the company) information that is confidential to a third party, they will not be obliged to disclose that information to the company, or to use it in relation to the company's affairs where to do so would amount to a breach of that confidence; and
 - 17.3.6 permit the Interested Director to make themselves absent from the discussion of matters relating to the Conflict at any meeting of the directors and be excused from reviewing papers prepared by, or for, the directors to the extent to which they relate to such matters.
- 17.4 Where the directors authorise a Conflict, the Interested Director will be obliged to act in accordance with any terms and conditions imposed by the directors in relation to the Conflict.
- 17.5 The directors may revoke or vary such authorisation at any time, but this will not affect anything done by the Interested Director, prior to such revocation of variation, in accordance with the terms of such authorisation.
- 17.6 A director is not required, by reason of being a director (or because of the fiduciary relationship established by reason of being a director), to account to the company for any remuneration, profit or other benefit which they derive from or in connection with a relationship involving a Conflict which has been authorised by the directors or by the company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.
- 17.7 For the purposes of sections 175 and 180(4) of the Act and for all other purposes, it is acknowledged that a director may be or become subject to a Conflict as a result of their also being or having been (or being party to an agreement or arrangement or understanding or circumstances under which he may become) an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or a direct or indirect investor in and/or otherwise involved with or interested in, any of the council, the company, its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies (as such terms are defined in section 1159 of the Act) or any of its shareholders.
- 17.8 No director shall be in breach of the duty to avoid conflicts of interest in section 175 of the Act as a result of, and no authorisation is required in respect of, any Conflict envisaged by article 17.7 having arisen or existing in relation to them

18 Records of decisions to be kept

- 18.1 The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

18.2 Where decisions of the directors are taken by electronic means, such decisions shall be recorded by the directors in permanent form, so that they may be read with the naked eye.

19 Directors' discretion to make further rules

Subject to the Articles, the directors may make any rule which they think fit about how they take decisions and hold meetings, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

20 Number of directors

20.1 Unless otherwise determined by the company, the number of directors shall not exceed five but shall not be less than three.

20.2 The board shall comprise of:

20.2.1 up to one director who is a member of the council appointed in accordance with article 21.1 (**Councillor**);

20.2.2 up to two non-executive directors appointed in accordance with article 21.2 (each an **Independent Director**); and

20.2.3 up to two executive directors appointed in accordance with article 21.3 (each an **Executive Director**).

21 Methods of appointing directors

Councillor

21.1 The controlling shareholder shall from time to time have the right to appoint, by notice in writing addressed to the company, and to maintain in office a current elected member of the council as a director of the company and to remove any such director from their position as a director and to appoint a replacement (provided that such a replacement is a current elected member of the council). A director appointed pursuant to this article 21.1 shall be referred to in these Articles as a Councillor.

Independent Directors and Executive Directors

21.2 The controlling shareholder shall from time to time have the right to appoint, by notice in writing addressed to the company, and to maintain in office two individuals to act as Independent Directors and to remove any such Independent Director from their position as a director (whether or not such director was originally appointed by the controlling shareholder or the board) and to appoint a replacement. Any individuals to be appointed as an Independent Directors should not be employed or engaged by the company or the council and should have relevant experience.

21.3 The controlling shareholder shall from time to time have the right to appoint, by notice in writing addressed to the company, and to maintain in office two individuals to act as Executive Directors and to remove any such Executive Director from their position as a director (whether or not such

director was originally appointed by the controlling shareholder or the board) and to appoint a replacement.

- 21.4 Where at any time there are fewer than two Independent Directors in office [and/or fewer than two Executive Directors in office], and subject to maximum numbers of directors provided for in articles 20.1 and 20.2, the board shall be entitled to appoint up to a total of two persons to be Independent Directors and two persons to be Executive Directors. Such persons shall be selected by the board based on their skills and experiences in the district heating industry or electricity (as appropriate). Otherwise, the board may determine the selection process (and any other criteria) for candidates as it deems appropriate from time to time.
- 21.5 Any appointment or removal of a director in accordance with articles 21.1 to 21.3 shall take immediate effect upon receipt (or deemed receipt) by the company of such notice in writing, or the production of such notice in writing at a meeting of the directors or, if later, the date (if any) specified in such notice.
- 21.6 In any case where, as a result of death or bankruptcy, the company has no shareholders and no directors, the transmittee(s) of the last shareholder to have died or to have a bankruptcy order made against him (as the case may be) have the right, by notice in writing, to appoint a natural person (including a transmittee who is a natural person), who is willing to act and is permitted to do so, to be a director.
- 21.7 For the purposes of article 21.6, where two or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder.
- 21.8 Any person to be appointed as a director in accordance with this article 21 must be willing to act as a director and be permitted by law and these Articles to do so.

22 Termination of director's appointment

- 22.1 A person shall be ineligible for appointment to the board and if already appointed shall cease to be a director as soon as:
- 22.1.1 that person ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law;
 - 22.1.2 that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that person's office be vacated;
 - 22.1.3 a bankruptcy order is made against that person;
 - 22.1.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - 22.1.5 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person

- has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 22.1.6 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
 - 22.1.7 that person is an employee of any shareholder in the company and ceases to be employed as such for any reason;
 - 22.1.8 that person is removed by the controlling shareholder by a notice in writing to the company;
 - 22.1.9 that person is or becomes a person disqualified from being an elected councillor of a local authority; or
 - 22.1.10 that person is removed from office by a resolution of or written notice signed by not less than three quarters of all the other directors from time to time.
- 22.2 Any individual appointed as a Councillor from time to time shall cease to be a director as soon as they cease to be a member of the council.

23 Directors' remuneration

- 23.1 Directors may undertake any services for the company that the directors decide.
- 23.2 Independent Directors and Executive Directors are entitled to such remuneration as the directors determine—
 - 23.2.1 for their services to the company as directors, and
 - 23.2.2 for any other service which they undertake for the company,
 - 23.2.3 provided that the level of such remuneration has been approved in writing by the controlling shareholder.
- 23.3 Subject to the Articles (and in particular article 23.2), remuneration of a director may:
 - 23.3.1 take any form, and
 - 23.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- 23.4 Unless the directors decide otherwise, such remuneration accrues from day to day.
- 23.5 Unless the directors decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

23.6 For the avoidance of doubt, a Councillor or observer shall not be entitled to any remuneration for their services to the company as a director or observer (respectively).

24 Directors' expenses

The company may pay any reasonable expenses which the directors, **observer** and the secretary properly incur in connection with their attendance at:

24.1 meetings of directors or committees of directors,

24.2 general meetings, or

24.3 separate meetings of the holders of any class of shares or of debentures of the company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

25 Secretary

The directors may appoint any person who is willing to act as the secretary for such term, at such remuneration and upon such conditions as they may think fit and from time to time remove such person and, if the directors so decide, appoint a replacement, in each case by a decision of the directors.

26 Observer

The controlling shareholder shall from time to time have the right to nominate one person to be an observer (an **observer**), who shall be entitled to receive notice of all meetings of the directors (and committees of the directors) and copies of all board papers as if he were a director and to attend, propose resolutions and speak at, but not vote at, any meetings of the directors (and committees of the directors).

PART 3

SHARES AND DISTRIBUTIONS

SHARES

27 All shares to be fully paid up

- 27.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue.
- 27.2 This does not apply to shares taken on the formation of the company by the subscribers to the company's memorandum.

28 Allotment of shares

- 28.1 Save to the extent authorised by these Articles, or authorised from time to time by an ordinary resolution of the shareholders, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the company.
- 28.2 In accordance with section 567(1) of the Act, sections 561 and 562 of the Act shall not apply to an allotment of equity securities (as defined in section 560(1) of the Act) made by the company.

29 Powers to issue different classes of share

- 29.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by the controlling shareholder.
- 29.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

30 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the Articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

31 Share certificates

- 31.1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.
- 31.2 Every certificate must specify:
 - 31.2.1 in respect of how many shares, of what class, it is issued;
 - 31.2.2 the nominal value of those shares;
 - 31.2.3 that the shares are fully paid; and

- 31.2.4 any distinguishing numbers assigned to them.
- 31.3 No certificate may be issued in respect of shares of more than one class.
- 31.4 If more than one person holds a share, only one certificate may be issued in respect of it.
- 31.5 Certificates must:
 - 31.5.1 have affixed to them the company's common seal, or
 - 31.5.2 be otherwise executed in accordance with the Companies Acts.

32 Replacement share certificates

- 32.1 If a certificate issued in respect of a shareholder's shares is:
 - 32.1.1 damaged or defaced, or
 - 32.1.2 said to be lost, stolen or destroyed,that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.
- 32.2 A shareholder exercising the right to be issued with such a replacement certificate:
 - 32.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;
 - 32.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and
 - 32.2.3 must comply with such conditions as to evidence, and indemnity and the payment of a reasonable fee as the directors decide.

33 Share transfers

- 33.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- 33.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 33.3 The company may retain any instrument of transfer which is registered.
- 33.4 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 33.5 The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

34 Transmission of shares

- 34.1 If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- 34.2 A transmittee who produces such evidence of entitlement to shares as the directors may properly require:
- 34.2.1 may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person, and
 - 34.2.2 subject to the Articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 34.3 But, subject to article 21.6, transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

35 Exercise of transmittees' rights

- 35.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- 35.2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 35.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

36 Transmittees bound by prior notices

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name, or the name of any person(s) named as the transferee(s) in an instrument of transfer executed under article 35.2, has been entered in the register of members.

DIVIDENDS AND OTHER DISTRIBUTIONS

37 Procedure for declaring dividends

- 37.1 The company may by ordinary resolution of the shareholders declare dividends, and the directors may decide to pay interim dividends.
- 37.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 37.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

- 37.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 37.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 37.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 37.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

38 Payment of dividends and other distributions

Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by such means of payment as the directors may determine.

39 No interest on distributions

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

- 39.1 the terms on which the share was issued, or
- 39.2 the provisions of another agreement between the holder of that share and the company.

40 Non-cash distributions

- 40.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution of the shareholders on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).
- 40.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:
- 40.2.1 fixing the value of any assets;
- 40.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and
- 40.2.3 vesting any assets in trustees.

41 Waiver of distributions

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect.

CAPITALISATION OF PROFITS

42 Authority to capitalise and appropriation of capitalised sums

42.1 Subject to the Articles, the directors may, if they are so authorised by an ordinary resolution of the shareholders:

42.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and

42.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.

42.2 Capitalised sums must be applied:

42.2.1 on behalf of the persons entitled, and

42.2.2 in the same proportions as a dividend would have been distributed to them.

42.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

42.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.

42.5 Subject to the Articles the directors may:

42.5.1 apply capitalised sums in accordance with articles 42.3 and 42.4 partly in one way and partly in another;

42.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and

42.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

43 Winding Up

On the winding-up or dissolution of the company, any assets or property that remains available to be distributed or paid, shall be paid or distributed to the shareholders at the time of such winding-up or dissolution, pro rata to the number of shares held by them in the capital of the company.

PART 4

DECISION-MAKING BY SHAREHOLDERS

ORGANISATION OF GENERAL MEETINGS

44 Attendance and speaking at general meetings

- 44.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 44.2 A person is able to exercise the right to vote at a general meeting when:
- 44.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
- 44.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 44.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 44.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 44.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

45 Quorum for general meetings

No business other than the appointment of the chairperson of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum. The presence of a duly authorised representative of the controlling shareholder shall constitute a quorum.

46 Chairing general meetings

- 46.1 If the directors have appointed a chairperson, the chairperson shall chair general meetings if present and willing to do so.
- 46.2 If the directors have not appointed a chairperson, or if the chairperson is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 46.2.1 the directors present, or
- 46.2.2 (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairperson of the meeting must be the first business of the meeting.

- 46.3 The person chairing a meeting in accordance with this article is referred to as **the chairperson of the meeting**.

47 Attendance and speaking by directors and non-shareholders

- 47.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

- 47.2 The chairperson of the meeting may permit other persons who are not:

47.2.1 shareholders of the company, or

47.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

48 Adjournment

- 48.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairperson of the meeting must adjourn it.

- 48.2 The chairperson of the meeting may adjourn a general meeting at which a quorum is present if:

48.2.1 the meeting consents to an adjournment, or

48.2.2 it appears to the chairperson of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

- 48.3 The chairperson of the meeting must adjourn a general meeting if directed to do so by the meeting.

- 48.4 When adjourning a general meeting, the chairperson of the meeting must:

48.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and

48.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

- 48.5 If a general meeting is adjourned, the company must give notice of the time and place to which it is adjourned:

48.5.1 to the same persons to whom notice of the company's general meetings is required to be given, and

48.5.2 containing the same information which such notice is required to contain.

48.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

49 Voting: general

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Act.

50 Errors and disputes

50.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

50.2 Any such objection must be referred to the chairperson of the meeting, whose decision is final.

51 Poll votes

51.1 A poll on a resolution may be demanded:

51.1.1 in advance of the general meeting where it is to be put to the vote, or

51.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

51.2 A poll may be demanded at any general meeting by any qualifying person (as defined in section 318 of the Act) present and entitled to vote at the meeting.

51.3 A demand for a poll may be withdrawn if:

51.3.1 the poll has not yet been taken, and

51.3.2 the chairperson of the meeting consents to the withdrawal. A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made.

51.4 Polls must be taken immediately and in such manner as the chairperson of the meeting directs.

52 Content of proxy notices

52.1 Proxies may only validly be appointed by a notice in writing (a **proxy notice**) which:

- 52.1.1 states the name and address of the shareholder appointing the proxy;
 - 52.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;
 - 52.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - 52.1.4 is delivered to the company in accordance with the Articles and any instructions contained in the notice of the general meeting (or adjourned meeting) to which they relate and a proxy notice which is not delivered in such manner shall be invalid, unless the directors, in their discretion, accept the notice at any time before the meeting.
- 52.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- 52.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 52.4 Unless a proxy notice indicates otherwise, it must be treated as:
- 52.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
 - 52.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

53 Delivery of proxy notices

- 53.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 53.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 53.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 53.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

54 Amendments to resolutions

- 54.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
 - 54.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairperson of the meeting may determine), and
 - 54.1.2 the proposed amendment does not, in the reasonable opinion of the chairperson of the meeting, materially alter the scope of the resolution.
- 54.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
 - 54.2.1 the chairperson of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
 - 54.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 54.3 If the chairperson of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairperson's error does not invalidate the vote on that resolution.

PART 5

ADMINISTRATIVE ARRANGEMENTS

55 Means of communication to be used

- 55.1 Subject to the Articles, anything sent or supplied by or to the company under the Articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the company.
- 55.2 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:
- 55.2.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five business days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five business days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);
 - 55.2.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;
 - 55.2.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and
 - 55.2.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a business day.

- 55.3 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Act.
- 55.4 Subject to the Articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.
- 55.5 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

56 No right to inspect accounts and other records

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

57 Provision for employees on cessation of business

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

58 Indemnity

58.1 Subject to article 58.2, but without prejudice to any indemnity to which a relevant officer is otherwise entitled:

58.1.1 each relevant officer shall be indemnified out of the company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer:

- (a) in the actual or purported execution and/or discharge of his duties, or in relation to them; and
- (b) in relation to the company's (or any associated company's) activities as trustee of an occupational pension scheme (as defined in section 235(6) of the Act),

including (in each case) any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the company's (or any associated company's) affairs; and

58.1.2 the company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in article 58.1.1 and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.

58.2 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

58.3 In this article:

58.3.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and

58.3.2 a **relevant officer** means any director or other officer or former director or other officer of the company or an associated company (including any company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the company (or associated company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor).

59 Insurance

59.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer in respect of any relevant loss.

59.2 In this article:

59.2.1 a **relevant officer** means any director or other officer or former director or other officer of the company or an associated company (including any such company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the company (or associated company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor),

59.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and

59.2.3 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate.