

No of Company: 4074919
THE COMPANIES ACT 1985
COMPANY LIMITED BY SHARES
RESOLUTION
- of -
THE POST OFFICE GROUP PLC
(passed on 4th January 2001)

At an Extraordinary General Meeting of the Company held at Exchange House, Primrose Street, London EC2A 2HS on 4th January 2001 the following resolutions were duly passed by the Company:-

SPECIAL RESOLUTIONS

- (1) THAT "FOR INFORMATION ONLY"
- THIS RESOLUTION PROCESSED SEPARATELY the name of the Company be changed to "Consignia plc".
- (2) THAT Clause 4 of the Memorandum of Association be replaced with the following:

"4. Objects

The objects for which the Company is established are:-

(A) To provide:

- (i) postal services and services for or connected with the distribution or communication of all descriptions of goods, information and other things;
- (ii) banking, money transmission and other financial services;
- (iii) all kinds of services to businesses and other service providers in connection with the management of customers and clients;
- (iv) all services for or connected with the communication of information, messages and data, and the carrying out of transactions, over all kinds of physical, electronic and other media; and
- (v) services to or for Her Majesty's Government, the government of any other territory, and any national, supranational or local authority or other governmental, state or public sector body and services to or for citizens in connection with their relationships with any of the aforesaid bodies.

- (B) To carry on business as a general commercial company and to carry on any trade or business whatsoever.**



- (C) To acquire any estate or interest in and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act as a holding company.
- (D) To provide services of all descriptions.
- (E) To lend money and grant or provide credit and financial accommodation to any person and to deposit money with any person.
- (F) To invest money of the Company in any investments and to hold, sell or otherwise deal with investments or currencies or other financial assets.
- (G) To enter into any arrangements with any government or authority or person and to obtain from any government or authority or person any legislation, orders, rights, privileges, franchises and concessions.
- (H) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by the creation and issue of securities.
- (I) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums interest dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.
- (J) To amalgamate or enter into partnership or any profit-sharing arrangement with, or to co-operate or participate in any way with, or to take over or assume any obligation of, or to assist or subsidise any person.
- (K) To sell, exchange, mortgage, charge, let, grant licences, easements, options and other rights over, and in any other manner deal with, or dispose of, all or any part of the undertaking, property and assets (present and future) of the Company for any or for no consideration and in particular (without prejudice to the generality) for any securities or for a share of profit or a royalty or other periodical or deferred payment.

- (L) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose, and to give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the Company or in or about the formation of the Company or the conduct or course of its business.
- (M) To establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to act as director of and as secretary, manager, registrar or transfer agent for any other company and to act as trustee of any kind.
- (N) To pay all the costs, charges and expenses preliminary or incidental to the promotion, formation, establishment and incorporation of the Company.
- (O) To grant or procure the grant of donations, gratuities, pensions, annuities, allowances or other benefits, including benefits on death, to, or purchase and maintain any type of insurance for or for the benefit of, any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or of any predecessor in business of any of them, and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or whom the board of directors of the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any funds, trusts, insurances or schemes or any associations, institutions, clubs or schools, or to do any other thing likely to benefit any such persons or otherwise to advance the interests of such persons or the Company or its members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of such persons or the Company or its members or for any national, charitable, benevolent, educational, social, public, general or useful object.
- (P) To cease carrying on or to wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.
- (Q) To distribute any of the property of the Company among its creditors and members or any class of either in cash, specie or kind.
- (R) To do all or any of the above things or matters in any part of the world and either as principals, agents, contractors, trustees or otherwise and

by or through trustees, agents or otherwise and either alone or in conjunction with others.

- (S) To carry on any other activity and do anything of any nature which in the opinion of the board of directors of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its members.
 - (T) To do any other thing which in the opinion of the board of directors of the Company is or may be incidental or conducive to the attainment of the above objects or any of them.
 - (U) In this clause "**company**", except where used to denote this Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "**person**" shall include any company as well as any other legal or natural person, "**securities**" shall include any fully, partly or nil paid or no par value share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "**and**" and "**or**" shall mean "**and/or**" where the context so permits, "**other**" and "**otherwise**" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this clause shall not, except where the context expressly requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company or the nature of any trade or business carried on by the Company, or by the fact that at any time the Company is not carrying on any trade or business but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of those paragraphs defined the objects of a separate distinct and independent company.
- (3) **THAT** the regulations contained in the printed document produced to the meeting and initialed by the Chairman thereof for the purpose of identification be and the same are hereby approved and adopted as the Articles of Association of the Company (the "Articles of Association") in substitution for and to the exclusion of the existing Articles of Association of the Company.

ORDINARY RESOLUTION

- (4) **THAT** the authorised share capital of the Company be increased from £100,000 to £100,001 by the creation of one special rights redeemable preference share of £1 having the rights set out in the Articles of Association.

GRO

SECRETARY

ARTICLES OF ASSOCIATION of**Consignia plc****(adopted by special resolution passed on 4 January 2001)****CONTENTS**

<u>SUBJECT</u>	<u>ARTICLES</u>
Interpretation	1-3
Share capital	4-10
The special share	11- 13
Share certificates	14-15
Lien	16 - 18
Calls on shares and forfeiture	19 - 23
Forfeiture of shares	24 - 28
Transfer of shares	29 - 34
Transmission of shares	35 - 37
Alteration of share capital	38 - 41
General meetings	42 - 44
Notice of general meetings	45 - 47
Proceedings at general meetings	48 - 54
Voting	55 - 66
Proxies	67 - 71
Appointment, retirement and removal of directors	72 - 80
Powers of the board	81 - 87
Remuneration of directors	88 - 90
Directors' appointments and interests	91 - 93
Directors' gratuities and pensions	94
Proceedings of directors	95 - 104

<u>SUBJECT</u>	<u>ARTICLES</u>
Secretary	105
Minutes	106
The seal	107
Dividend	108 - 115
Accounts	116 - 117
Capitalisation of profits	118
Record dates	119
Notices	120 - 125
Winding up	126
Indemnity	127

Company No. 4074919

ARTICLES OF ASSOCIATION

of

Consignia plc

(adopted by special resolution passed on 4 January 2001)

INTERPRETATION

1. EXCLUSION OF TABLE A

No regulations set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute concerning companies shall apply as the regulations or articles of the company.

2. DEFINITIONS

In these articles unless the context otherwise requires -

“the Act” means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force;

“the articles” means these articles of the company as altered from time to time by special resolution and the expression “this article” shall be construed accordingly;

“the board” means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

“business day” means any day which is not a Saturday or Sunday or a public holiday;

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

“core business” means any and all activities specified in sub-sections 63(8)(a) to (d) (inclusive) of the Postal Services Act;

“executed” includes any mode of execution;

“group” means the company and its subsidiary undertakings (as defined in section 258 of the Act) from time to time;

“the holder” in relation to shares means the member whose name is entered in the register of members as the holder of the shares;

“major transaction” means an acquisition or disposal by the company or a relevant subsidiary (excluding a transaction of a revenue nature in the ordinary course of business) where the size of the transaction is such that the percentage ratio resulting from any of the calculations set out in article 12.1(P) is 10 per cent. or more;

“member” means a member of the company;

“memorandum” means the Memorandum of Association of the company;

“office” means the registered office of the company;

“Postal Services Act” means the Postal Services Act 2000;

“public holiday” has the meaning given to that term in the Postal Services Act;

“the register” means the register of members of the company;

“relevant subsidiary” has the meaning given to such term in section 63(8) of the Postal Services Act;

“relevant transaction” means any actual or proposed acquisition, sale or other disposition (whether by security or otherwise) or parting with or sharing of ownership (including, without limitation, by partnership, joint venture or otherwise) of any assets, rights or property whatsoever by any member of the group, other than:

- (a) any transaction in the ordinary course of business or otherwise of a revenue nature (including without limitation the taking of assets on lease or hire purchase);
- (b) any transaction between the company and a wholly-owned subsidiary of the company or between wholly-owned subsidiaries of the company; and
- (c) any transaction approved in any Strategic Plan.

“the seal” means the common seal of the company;

“Secretary of State” means one of Her Majesty’s Secretaries of State;

“secretary” means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary;

“share rights” has the meaning given to such term in section 82(1) of the Postal Services Act;

“shares” has the meaning given to such term in section 82(1) of the Postal Services Act;

“Special Share” means the one special rights redeemable preference share of £1 in the capital of the company;

“Special Shareholder” means the holder of the Special Share;

“Strategic Plan” means the strategic plan relating to the operation of the group described in article 82;

“Trade Marks” means the trade marks "The Post Office", "Royal Mail" and "Parcelforce Worldwide" anywhere in the world; and

“the United Kingdom” means Great Britain and Northern Ireland.

Unless the context otherwise requires, words or expressions contained in these articles bear the same meaning as in the Act but exclude any statutory modification thereof not in force when these articles become binding on the company.

References to “writing” include references to any method of representing or reproducing words in a legible and non-transitory form.

Headings are included only for convenience and shall not affect meaning.

If, and for so long as, the company has only one member, these articles shall (in the absence of any express provision to the contrary) apply with such modification as may be necessary in relation to the company.

3. FORM OF RESOLUTION

- (A) Subject to the Act, where for any purpose an ordinary resolution of the company is required, a special or extraordinary resolution shall also be effective and where for any purpose an extraordinary resolution is required a special resolution shall also be effective.
- (B) A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting properly convened and held and

may consist of several instruments in the like form each executed by or on behalf of one or more of the members.

SHARE CAPITAL

4. AUTHORISED SHARE CAPITAL

The authorised share capital at the date of adoption of this article is £100,001 divided into 100,000 ordinary shares of £1 each and one Special Share.

5. RIGHTS ATTACHED TO SHARES

Subject to the provisions of the Act and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide.

6. REDEEMABLE SHARES

Subject to the provisions of the Act, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder on such terms and in such manner as may be provided by the articles.

7. PAYMENT OF COMMISSION

The company may exercise the powers of paying commissions conferred by the Act. Subject to the provisions of the Act, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

8. TRUSTS NOT RECOGNISED

Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by the articles or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder.

9. UNISSUED SHARES

Subject to the provisions of the Act and to these articles, any unissued shares of the company (whether forming part of the original or any increased capital) shall be at the disposal of the board who may offer, allot, grant options over or otherwise dispose of them to such persons at such

times and for such consideration and upon such terms and conditions as it may determine.

10. VARIATION OF CLASS RIGHTS

Subject to the provisions of the Act, if at any time the capital of the company is divided into different classes of shares, the rights attached to any class may be varied, either while the company is a going concern or during or in contemplation of a winding-up:

- (A) in such manner (if any) as may be provided by those rights; or
- (B) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class,

but not otherwise. The provisions of these articles relating to general meetings shall apply to every such separate meeting, except that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting shall be one person holding shares of the class in question or his proxy.

THE SPECIAL SHARE

11. HOLDER OF THE SPECIAL SHARE

- (A) The Special Share may only be issued to the Secretary of State and may be transferred to and held by the Treasury, another Minister of the Crown or any other duly authorised person (including, without limitation, any nominee) acting on behalf of the Crown.
- (B) The Special Shareholder shall be entitled to receive notice of, and to attend and speak at, any general meeting or any meeting of any other class of shareholders of the company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- (C)
 - (a) On a distribution of capital in a winding-up of the company the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member.
 - (b) Subject to the Act, the Special Shareholder shall be entitled at any time to require the directors to declare and pay a dividend to the Special Shareholder or its nominee of such an amount and to be satisfied in such manner (whether in cash, in specie

or otherwise) as may be determined by the Special Shareholder at its discretion in order to give effect to, or otherwise in connection with, the powers vested in the Secretary of State under section 72 of the Postal Services Act.

- (c) Save as provided above, the Special Share shall confer no other right to participate in the capital or profits of the company.
- (D) The Special Shareholder may, subject to the provisions of the Act, require the company to redeem the Special Share at par (such sum being payable on redemption) at any time by serving written notice upon the company and delivering to the company the relevant share certificate. The company shall not be able to redeem the Special Share without the prior consent of the Special Shareholder.

12. VARIATION OF SPECIAL SHARE RIGHTS

12.1 Matters requiring consent

Notwithstanding any provision in these articles to the contrary, each of the following shall be deemed to be a variation of the rights attaching to the Special Share and accordingly shall occur and be effective only with the prior written consent of the Special Shareholder:

- (A) the alteration or deletion of, or the ratification of any breach of all or any part of the memorandum of association of the company or all or any part of these articles;
- (B) the voluntary winding-up of any member of the group, the passing of a special resolution to the effect that any member of the group should be wound-up by the court, the presentation by any member of the group (whether solely or jointly with any other person) of a petition for the winding-up of any member of the group or any proposal for any of the foregoing;
- (C) the presentation by any member of the group (whether solely or jointly with each other or with any other person) of a petition applying for the appointment of an administrator of any member of the group or any proposal therefor;
- (D) the variation of any rights attached to any shares in any member of the group in so far as such variation affects the rights attached to the Special Share;

- (E) the declaration or payment of any dividend or the making of any distribution by the company other than in accordance with the Strategic Plan;
- (F) any distribution, payment or return to shareholders of the company out of capital;
- (G) the issue of any shares or share rights in any relevant subsidiary other than to the Secretary of State, the Treasury, any nominee of either of them or to the company or any other relevant subsidiary or any nominee of either of them;
- (H) the transfer or other disposal of any issued shares or share rights in any relevant subsidiary other than to the Secretary of State, the Treasury or any nominee of either of them, or to the company or any other relevant subsidiary or any nominee of either of them;
- (I) the redemption or purchase by the company or any relevant subsidiary of any share in itself or the reduction of the share capital of the company or any relevant subsidiary, or any uncalled or unpaid liability in respect thereof, capital redemption reserve or share premium account of the company or any relevant subsidiary or the passing of any resolution authorising any of the foregoing;
- (J) the adoption of any accounting reference date or any material variation of the accounting practices and policies to be applied in the preparation of the accounts of any member of the group, if different from the practices or policies then adopted or applied by other members of the group (other than any accounting practice or policy required to be adopted by law);
- (K) the appointment or removal from office of any director of the company or any change in the prescribed maximum or minimum number of directors of the company or the appointment of any person other than a director of the company as an alternate director of any director of the company;
- (L) the adoption of a Strategic Plan or the variation or amendment of a Strategic Plan previously adopted;
- (M) save as specifically provided for in the approved Strategic Plan, any substantial alteration in the nature of the business carried on by the company or any relevant subsidiary;
- (N) the entry into any relevant transaction under which any one or more members of the group, directly or indirectly, ceases to own or retain such interest as it may have in any asset in the absence of which the

group might reasonably be considered to be unable to continue to perform the core business in the manner and to the standard required by the Postal Services Act and applicable regulations (and any requirements made thereunder), except in circumstances under which the relevant asset remains available for exclusive use by any one or more members of the group for the remainder of its useful economic life or until it is fully depreciated;

- (O) any arrangement whereby the directors of any member of the group shall cease to determine the general policy of the relevant member of the group and the scope of the activity and operation of the relevant member of the group or cease to determine all matters involving major or unusual decisions material to the business of the group taken as a whole or otherwise whereby the control of the management of the relevant member of the group shall pass from the directors thereof to any third party or body;
- (P) the entry into or implementation of a relevant transaction by any member of the group in relation to which (either individually or when taken together with all other relevant transactions (other than any relevant transaction previously approved under this article 12.1(P)) entered into or implemented in the previous 12 months) the percentage ratio resulting from any of the following calculations is 25 per cent. or more:
 - (a) the gross assets the subject of the relevant transaction divided by the gross assets of the group;
 - (b) the profit attributable to the assets the subject of the relevant transaction divided by the profits of the group;
 - (c) the turnover attributable to the assets the subject of the relevant transaction divided by the turnover of the group.

For the purposes of this article 12.1(P) and article 13(A):

- (i) the “gross assets of the group” means the total fixed assets of the group plus the total current assets of the group;
- (ii) in the case of:
 - (1) an acquisition of an interest in an undertaking which will result in consolidation of the net assets of that undertaking in the consolidated accounts of the group;
 - or

- (2) a disposal of an interest in an undertaking which will result in the net assets of that undertaking no longer being consolidated in the accounts of the group,

the “assets the subject of the relevant transaction” means the value of 100 per cent. of that undertaking’s assets irrespective of what interest is acquired or disposed of;

- (iii) in the case of an acquisition or disposal of an interest in an undertaking which does not fall within article 12.1(P)(ii), “the assets the subject of the relevant transaction” means:

- (1) for an acquisition, the value of the consideration; and
- (2) for a disposal of an interest, the value attributed to that interest in the group’s accounts;

- (iv) in the case of an acquisition of assets other than an interest in an undertaking the assets the subject of the relevant transaction means the consideration or, if greater, the book value of those assets;

- (v) in the case of a disposal of assets other than an interest in an undertaking, the assets the subject of the relevant transaction means the book value of the assets;

- (vi) “profits” means profits after deducting all charges except taxation and extraordinary items. In the case of an acquisition or disposal of an interest in an undertaking which falls within article 12.1(P)(ii), profits means 100 per cent. of the profits of the undertaking irrespective of what interest is acquired or disposed of;

- (vii) “consideration” is the amount paid to the vendors in the relevant transaction including amounts corresponding to the assumption by the purchaser of any liabilities whether actual or contingent (including the repayment of inter-company or third party debt) as part of the terms of the transaction;

- (viii) if deferred consideration is or may be payable or receivable by the relevant member of the group in the future, the “consideration” is the maximum total consideration payable or receivable under the agreement;

- (ix) except as stated below the figures used for the calculation of the percentage ratios must be:

- (1) in the case of “assets” and “profits”, the figures shown in the latest published audited consolidated accounts or, where the company has, or will have, published a preliminary statement of later annual results at the time the terms of a relevant transaction are agreed, the figures shown in that preliminary statement;
- (2) in the case of consideration in the form of listed or quoted securities, the aggregate market value of all those securities;

Where the company has published a half-yearly report comprising, inter alia, a balance sheet, that balance sheet must be used for classification purposes when calculating the percentage ratios for the purpose of this article 12.1(P);

- (Q) the entry by any member of the group into any relevant transaction which is not on commercial terms and is not considered by the directors of that member to be in the interests of that member;
- (R) the sale, assignment, charging, mortgaging or outright disposal by any member of the Group of any Trade Mark, the granting of an exclusive licence by any member of the Group which prevents the Group from using any Trade Mark or the taking of any action by any member of the Group with the intention of jeopardising any material Trade Mark;
- (S) the approval of or agreement to or any material variation or amendment to:
 - (a) the remuneration (including, without limitation, salary, share options, bonuses, benefits in kind and pension rights) paid or granted by any member of the group to any director of the company; or
 - (b) the terms and conditions of employment or engagement by any member of the group of any of the directors of the company;
- (T) (a) the incurring of (or entry into of any commitment to incur) any borrowing by any member of the group in circumstances where the borrowing:
 - (i) (1) individually; or
 - (2) taken together with the aggregate principal amount in respect of borrowings already incurred

in the same accounting period without approval under this article 12.1(T); or

- (3) if part of any series of related borrowings to finance a single investment, then taken together with the aggregate principal amount incurred in respect of such related borrowings

exceeds £75 million; or

- (ii) is to be provided from any source other than the National Loans Fund or the Crown, save in respect of borrowings which are due within one year or less from the Secretary of State, the Bank of England and (other) Monetary Financial Institutions, a Local Authority or a Public Corporation; or

- (iii) if taken together with the aggregate principal amount outstanding of all money borrowed by the group from any source (excluding amounts borrowed by any member of the group from any other member of the group, other than amounts to be taken into account under article 12.1(T)(b)(v) below) exceeds an amount equal to the lesser of £5,000 million and 2.5 times the aggregate of:

- (1) the amount paid up on the issued share capital of the company; and
- (2) the total of the capital and revenue reserves of the group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the company and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the group (or if consolidated financial statements are not prepared, in the latest audited balance sheet and profit and loss account of each member of the group), but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account or capital

redemption reserve of the company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the group;

- (b) for the purposes of this article 12.1(T), but without prejudice to the generality of the terms “borrowing” and “borrowed”:
 - (i) borrowings inherited by the company under section 62 of the Postal Services Act shall be taken into account as money borrowed;
 - (ii) borrowings assumed by the company at the direction of the Secretary of State pursuant to section 74 of the Postal Services Act shall be taken into account as money borrowed, save to the extent that any such money is borrowed for the purposes of funding any dividend required to be paid pursuant to article 11(C)(b);
 - (iii) amounts borrowed for the purpose of repaying the whole or any part of any amounts previously borrowed and then outstanding (including any premium payable on final repayment) and to be applied for that purpose within six months of the borrowing shall not, pending such application, be taken into account as money borrowed;
 - (iv) the principal amount (including any premium payable on final repayment) of any debt securities issued in whole or in part for a consideration other than cash shall be taken into account as money borrowed by the member of the group issuing them;
 - (v) money borrowed by any member of the group and not owing to another member of the group shall be taken into account as money borrowed and money borrowed by any member of the group and owing to another member of the group shall not be so taken into account;
 - (vi) borrowings of an undertaking which became a subsidiary undertaking of the company after the date as at which the latest audited balance sheet was prepared shall not, pending the date of the next consolidated audited balance sheet, be taken into account as money borrowed to the extent that the amount of those

borrowings does not exceed their amount immediately after such undertaking became a subsidiary undertaking;

- (vii) amounts outstanding under any arrangement entered into in the ordinary course of its business by any member of the group for the leasing or hire purchase of any assets shall not be taken into account as money borrowed; and
 - (viii) any amounts outstanding under sections 71(2)(b), (c), (d) and (e) of the Postal Services Act shall be taken into account as moneys borrowed.
- (c) for the purposes of this article 12.1(T) the following phrases shall have the following meanings:
- “Local Authority” has the meaning given to it in sections 1(2) and (3) of the Local Government Act 1999 extended to include any district, island or regional council in Scotland or any county or district council in Northern Ireland;
- “Public Corporation” means any body within the definition of that expression in the edition of the “Classification of Accounts Guide Part III – Sector Categories” current at the time that the relevant borrowings are made; and
- “The Bank of England and (other) Monetary Financial Institutions” means any body within the definition of that expression in the edition of “Classification of Accounts Guide Part III – Sector Categories” current at the time that the relevant borrowings are made.
- (d) in calculating the aggregate amount of borrowings for the purpose of this article 12.1(T), money borrowed by any member of the group which is denominated or repayable in a currency other than sterling shall be treated as converted into sterling -
- (i) at the rate of exchange used for the conversion of that currency in the latest audited balance sheet of that member; or
 - (ii) if no rate was so used, at the middle-market rate of exchange prevailing in London at the close of business on the date of that balance sheet, but if the amount in sterling resulting from conversion at that rate would be greater than that resulting from conversion at the

middle-market rate prevailing in London at the close of business on the business day immediately preceding the day on which the calculation falls to be made, the latter rate shall apply instead;

- (e) no debt incurred or security given in respect of money borrowed in excess of the above limit shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was thereby exceeded, but no lender or other person dealing with the company shall be concerned to see or enquire whether such limit is observed;
- (f) if any accounting period of the company shall be longer or shorter than twelve months then the amount of £75 million referred to in article 12.1(T)(a)(i) above shall be altered in respect of that accounting period by multiplying it by the number of days in that accounting period and dividing the product by 365.

12.2 Approval Procedure

- (A) Whenever the company wishes to obtain the Special Shareholder's consent to any matter set out in article 12.1 (other than 12.1(G), 12.1(H), and 12.1(T)):
 - (a) the company shall give notice to the Special Shareholder, such notice to:-
 - (i) be in writing;
 - (ii) be addressed to such persons as the Special Shareholder shall, from time to time, notify in writing to the Company;
 - (iii) be delivered by hand;
 - (iv) clearly state that it is important and requires immediate attention;
 - (v) clearly identify itself as a notice served pursuant to this article 12.2 and that failure to respond within ten business days will result in the Special Shareholder being deemed to have given his consent to the matter in question; and

- (vi) contain or annex such information as can reasonably be expected to enable the Special Shareholder to consider the matter being proposed.
- (b) On or before the date which falls ten business days after the date of receipt of such notice (the "Initial Expiry Date") the Special Shareholder shall give written notice to the secretary stating:
 - (i) his consent to the matter contained in the notice; or
 - (ii) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal); or
 - (iii) that he requires a further ten business days in which to consider the matter, commencing on the business day following the Initial Expiry Date.
- (B) If on or before the Initial Expiry Date the Special Shareholder gives written notice to the company pursuant to article 12.2(A)(b)(iii) the Special Shareholder shall, on or before the date which falls ten business days after the Initial Expiry Date, give a further written notice to the secretary stating:
 - (a) his consent to the matter contained in the notice; or
 - (b) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal).
- (C) The Special Shareholder may, at any time, request from the company such further information as it reasonably requires in order to assist it to consider the matter being proposed and the company shall deliver such information to the Special Shareholder as soon as reasonably practicable thereafter.
- (D) If the company does not receive any notice from the Special Shareholder pursuant to article 12.2(A)(b) on or before the Initial Expiry Date or pursuant to article 12.2(B) within the further period referred to therein, the company shall be entitled to undertake the matter contained in the notice issued by it pursuant to article 12.2(A)(a) and the consent of the Special Shareholder shall be deemed irrevocably given to such matter.
- (E) In favour of any third party dealing with any member of the group a certificate by any director or the secretary to the effect that the

Special Shareholder shall have been deemed to have given his consent to any matter as a result of the operation of article 12.2(D) above shall be conclusive and binding as to that fact.

- 12.3 (A) Whenever the company wishes to obtain the Special Shareholder's consent to any matter set out in article 12.1(T), the company shall give notice to the Special Shareholder in accordance with articles 12.2(A)(a)(i) to (iv) and (vi), such notice to clearly identify itself as a notice served pursuant to this article 12.3 and that failure to respond within 28 business days will result in the Special Shareholder being deemed to have given his consent to the matter in question.
- (B) On or before the date which falls 28 business days after the date of receipt of such notice (the "Expiry Date") the Special Shareholder shall give written notice to the secretary stating:
- (a) his consent to the matter contained in the notice; or
 - (b) his refusal to consent to the matter contained in the notice (providing in reasonable detail and on a confidential basis the reasons for such refusal).
- (C) The Special Shareholder may, at any time before the Expiry Date request from the company such further information as it reasonably requires in order to assist it to consider the matter being proposed and the company shall deliver such information to the Special Shareholder as soon as reasonably practicable thereafter.
- (D) If the company does not receive any notice from the Special Shareholder pursuant to article 12.3(B) on or before the Expiry Date the company shall be entitled to undertake the matter contained in the notice issued by it pursuant to paragraph 12.3(A) and the consent of the Special Shareholder shall be deemed irrevocably given to such matter.
- (E) In favour of a third party dealing with any member of the group a certificate by any director or the secretary to the effect that the Special Shareholder shall have been deemed to have given its consent to any matter as a result of the operation of article 12.3(D) above shall be conclusive and binding as such.
- 12.4 (A) Whenever the company wishes to obtain the Special Shareholder's consent to any matter set out in articles 12.1(G) and 12.1(H), the company shall give notice to the Special Shareholder in accordance with articles 12.2(A)(a)(i) to (iv) and (vi), such notice to clearly identify itself as a notice served pursuant to this article 12.4.

- (B) On or before the date which falls 10 business days after the date of receipt of such notice (the "**Expiry Date**") the Special Shareholder shall give written notice to the secretary stating:
 - (a) his consent to the matter contained in the notice (subject to such conditions, if any, as the Special Shareholder may impose) and his agreement to move or to procure the moving of a motion in relation to the matter contained in the notice before each house of Parliament in accordance with section 67 of the Postal Services Act; or
 - (b) his refusal to consent to the matter contained in the notice and to move or procure the moving of such a motion (providing in reasonable detail and on a confidential basis the reasons for such refusal).
 - (C) The Special Shareholder may, at any time before the Expiry Date request from the company such further information as it reasonably requires in order to assist it to consider the matter being proposed and the company shall deliver such information to the Special Shareholder as soon as reasonably practicable thereafter.
 - (D) In the event that a motion is moved before Parliament pursuant to article 12.4 (B)(a), the Special Shareholder shall, on or before the date which falls 2 business days after the date such motion is approved or, as the case may be, rejected by a resolution of either House of Parliament, give written notice to the secretary confirming whether or not such motion was duly approved and, if so, the precise terms of such approval.
- 12.5 Delivery of any notice served upon the Special Shareholder under articles 12.2, 12.3 and 12.4 shall be evidenced by a receipt acknowledging delivery signed and dated by one of the addressees of the relevant notice and such notice shall be deemed to have been received on the date on which the receipt acknowledging delivery of the same is signed.
- 12.6 The directors of the company will exercise all powers exercisable by the company in relation to group subsidiaries so as to ensure that no subsidiary shall take any action which (either alone or when taken together with any other action) would result in the variation of any of the rights attached to the Special Share.
- 13. INFORMATION**
- (A) Within five business days after the terms of a major transaction are agreed (or following any significant change to such terms) the

company must issue a public announcement to the press in the United Kingdom containing at least the following information:

- (a) brief particulars of the transaction, including the name and brief details of any company or business involved (where relevant);
 - (b) a description of the business carried on by or using the assets the subject of the transaction;
 - (c) the consideration and how it is being satisfied (including the terms of any arrangements for deferred consideration);
 - (d) the value of the net assets the subject of the transaction;
 - (e) the profits attributable to the net assets the subject of the transaction;
 - (f) the effect of the transaction on the group, including the commercial rationale behind such transaction, any anticipated effect on the group's ability to perform the core business in the manner required by the Postal Services Act and applicable regulations (or if none, an appropriate negative statement) and details of any benefits which are expected to accrue to the group as a result of the transaction; and
 - (g) in the case of a disposal, the anticipated application of the sale proceeds.
- (B) Any public announcement issued pursuant to article 13(A) shall be delivered in draft form to the Special Shareholder on a business day not less than 24 hours before its issue.
- (C) Notwithstanding any other provision of these articles, the Special Shareholder shall be entitled to request such management information in relation to the affairs of the group as it may consider necessary or desirable in order to assist it in exercising the rights attaching to the Special Share. The company shall use its reasonable endeavours to comply promptly with such requests for information from time to time, but only in so far as the company has such information within its possession or such information can reasonably be obtained by it.

SHARE CERTIFICATES

14. RIGHT TO SHARE CERTIFICATES

Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the board may determine. Every certificate shall be sealed with the seal and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

15. REPLACEMENT OF SHARE CERTIFICATES

If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the board may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate.

LIEN

16. COMPANY'S LIEN ON SHARES NOT FULLY PAID

The company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share. The board may at any time declare any share to be wholly or in part exempt from the provisions of this article. The company's lien on a share shall extend to any amount payable in respect of it.

17. ENFORCING LIEN BY SALE

The company may sell in such manner as the board may determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold. To give effect to a sale, the board may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee to the shares shall

not be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

18. APPLICATION OF PROCEEDS OF SALE

The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES AND FORFEITURE

19. CALLS

Subject to the terms of allotment, the board may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may be revoked in whole or part and payment of a call may be postponed in whole or part as the board may decide. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made. A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

20. LIABILITY OF JOINT HOLDERS

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

21. INTEREST DUE ON NON-PAYMENT

If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by the Act) but the board may waive payment of the interest wholly or in part.

22. SUMS DUE ON ALLOTMENT TREATED AS CALLS

An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of the

articles shall apply as if that amount had become due and payable by virtue of a call.

23. POWER TO DIFFERENTIATE

Subject to the terms of allotment, the board may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.

FORFEITURE OF SHARES

24. NOTICE IF CALL OR INSTALMENT NOT PAID

If a call remains unpaid after it has become due and payable the board may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

25. FORFEITURE FOR NON-COMPLIANCE WITH NOTICE

If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the board and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

26. SALE OF FORFEITED SHARES

Subject to the provisions of the Act, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the board determines either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the board thinks fit. Where for the purposes of its disposal a forfeited share is to be transferred to any person the board may authorise some person to execute an instrument of transfer of the share to that person.

27. ARREARS TO BE PAID NOTWITHSTANDING FORFEITURE

A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Act)

from the date of forfeiture until payment but the board may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

28. STATUTORY DECLARATION AS TO FORFEITURE

A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

TRANSFER OF SHARES

29. EXECUTION OF TRANSFER

The instrument of transfer of a share may be in any usual form or in any other form which the board may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

30. RIGHT TO DECLINE REGISTRATION

The board may refuse to register the transfer of a share which is not fully paid to a person of whom they do not approve and they may refuse to register the transfer of a share on which the company has a lien or where such transfer is restricted by the Act or the articles. They may also refuse to register a transfer unless -

- (A) it is lodged at the office or at such other place as the board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;
- (B) it is in respect of only one class of shares; and
- (C) it is in favour of not more than four transferees.

31. NOTICE OF REFUSAL

If the board refuses to register a transfer of a share, it shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal.

32. SUSPENSION OF REGISTRATION

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the board may determine.

33. NO FEE FOR REGISTRATION

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

34. RETENTION OF INSTRUMENT OF TRANSFER

The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

TRANSMISSION OF SHARES**35. TRANSMISSION ON DEATH**

If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him.

36. ELECTION OF PERSON ENTITLED BY TRANSMISSION

A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the board may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.

37. RIGHTS OF PERSON ENTITLED BY TRANSMISSION

A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of it to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company.

ALTERATION OF SHARE CAPITAL

38. INCREASE, CONSOLIDATION, SUB-DIVISION AND CANCELLATION

The company may by ordinary resolution -

- (A) increase its share capital by new shares of such amount as the resolution prescribes;
- (B) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (C) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others; and
- (D) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

39. FRACTIONS

Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the board may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the company) and distribute the net proceeds of sale in due proportion among those members, and the board may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

40. REDUCTION OF CAPITAL

Subject to the provisions of the Act and the articles, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

41. PURCHASE OF OWN SHARES

Subject to the provisions of the Act and the articles, the company may purchase its own shares (including any redeemable shares).

GENERAL MEETINGS

42. EXTRAORDINARY GENERAL MEETINGS

All general meetings other than annual general meetings shall be called extraordinary general meetings.

43. CALLING OF EXTRAORDINARY GENERAL MEETING

The board may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting for a date not later than eight weeks after receipt of the requisition. If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any member of the company may call a general meeting.

44. ANNUAL GENERAL MEETINGS

The board shall convene and the company shall hold general meetings as annual general meetings in accordance with the requirements of the Act.

NOTICE OF GENERAL MEETINGS

45. LENGTH OF NOTICE

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by at least twenty-one clear days' notice. All other extraordinary general meetings shall be called by at least fourteen clear days' notice but a general meeting may be called by shorter notice if it is so agreed -

- (A) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and
- (B) in the case of any other meeting by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.

The notice shall specify the time and place of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such.

Subject to the provisions of the articles and to any restrictions imposed on any shares, the notice shall be given to all the members other than any who under the provisions of these articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the company, and also to the auditors or, if more than one, each of them.

46. OMISSION OR NON-RECEIPT OF NOTICE

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

47. POSTPONEMENT OF GENERAL MEETINGS

If the board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the general meeting to another date, time and place. When a meeting is so postponed, notice of the date, time and place of the postponed meeting shall be given to the members. Notice of the business to be transacted at such postponed meeting shall not be required.

PROCEEDINGS AT GENERAL MEETINGS**48. QUORUM**

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation, shall be a quorum. If, and for so long as, the company has only one member, that member or the proxy for that member or, where that member is a corporation, its duly authorised representative shall be a quorum at any general meeting of the company or of the holders of any class of shares.

49. PROCEDURE IF QUORUM NOT PRESENT

If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the board may determine.

50. CHAIRMAN OF GENERAL MEETING

The chairman, if any, of the board or in his absence some other director nominated by the board shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman. If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman.

51. ORDERLY CONDUCT

The chairman shall take such action as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting and the chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

52. ENTITLEMENT TO ATTEND AND SPEAK

Each director shall be entitled to attend and speak at any general meeting of the company and at any separate general meeting of the holders of any class of shares in the company. The chairman may invite any person to attend and speak at any general meeting of the company whom the chairman considers to be equipped by knowledge or experience of the company's business to assist in the deliberations of the meeting. In addition, the chairman may invite any person who has been nominated for the purpose by a member, where the chairman is satisfied that such time as the chairman may determine, the member holds any shares in the company as such person's nominee, to attend and, if the chairman considers it appropriate, to speak at any general meeting of the company.

53. ADJOURNMENTS

The chairman may, without seeking the consent of the meeting (whether or not it has commenced or a quorum is present) adjourn any meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.

54. AMENDMENTS RULED OUT OF ORDER

If an amendment proposed to any resolution under consideration is ruled out of order by the chairman, the proceedings on the resolution shall not be invalidated by any error in the ruling.

VOTING**55. VOTES OF MEMBERS**

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of these articles, on a show of hands every member who is present in person at a general meeting of the company shall have one vote. Proxies shall not

vote on a show of hands. On a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

56. METHOD OF VOTING

A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded -

- (A) by the chairman; or
- (B) by at least two members having the right to vote at the meeting; or
- (C) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (D) by a member or members holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right;

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

57. PROCEDURE IF POLL NOT DEMANDED

Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

58. WITHDRAWAL OF DEMAND FOR POLL

The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

59. PROCEDURE IF POLL DEMANDED

A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

60. CASTING VOTE OF CHAIRMAN

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a casting vote in addition to any other vote he may have.

61. WHEN POLL TO BE TAKEN

A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

62. NO NOTICE OF POLL

No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

63. VOTES OF JOINT HOLDERS

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members.

64. VOTING ON BEHALF OF INCAPABLE MEMBER

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may, on a poll, vote by proxy. Evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote shall be deposited at the office, or at such other place as is specified in accordance with the articles for the deposit of instruments of proxy, not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.

65. NO RIGHT TO VOTE WHERE SUMS OVERDUE ON SHARES

No member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

66. OBJECTIONS OR ERRORS IN VOTING

If:-

- (A) any objection shall be raised to the qualification of any voter, or
- (B) any votes have been counted which ought not to have been counted or which might have been rejected, or
- (C) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

PROXIES**67. APPOINTMENT OF PROXY**

On a poll votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion.

68. FORM OF PROXY

An instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the board may approve):-

“Consignia plc

I/We, _____, of _____, being
a member/members of the above-named company, hereby appoint
_____ of _____, or failing him,
_____ of _____, as my/our proxy to vote in my/our name[s] and on
my/our behalf at the annual/extraordinary general meeting of the company
to be held on _____ 20____, and at any adjournment thereof.

Signed on 20 .”

69. INSTRUCTIONS TO PROXY

Where it is desired to afford members an opportunity of instructing the proxy how he shall act the instrument appointing a proxy shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the board may approve) -

“Consignia plc

I/We, , of ,
being a member/members of the above-named company, hereby appoint
of , or failing him,
of , as my/our proxy to vote in my/our name[s] and on
my/our behalf at the annual/extraordinary general meeting of the company
to be held on 20 , and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:

Resolution No.1 *for *against

Resolution No.2 *for *against.

*Strike out whichever is not desired.

Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting.

Signed on 20 .”

70. DELIVERY OF PROXIES

The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notariially or in some other way approved by the board may -

- (A) be deposited at the office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the company in relation to the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or
- (B) in the case of a poll taken more than forty-eight hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than twenty-four hours before the time appointed for the taking of the poll; or

- (C) where the poll is not taken forthwith but is taken not more than forty-eight hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director,

and an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid. The directors may at their discretion treat a faxed or other machine made copy of an instrument appointing a proxy as such an instrument for the purpose of this article.

71. CANCELLATION OF PROXY'S AUTHORITY

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

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

72. NUMBER OF DIRECTORS

Unless otherwise determined by ordinary resolution and subject to the articles, the number of directors (other than alternate directors) shall not be subject to any maximum but shall be not less than two.

73. ALTERNATE DIRECTORS

- (A) Any director (other than an alternate director) may appoint any other director, or, subject to the articles, any other person approved by resolution of the board and willing to act, to be an alternate director and may remove from office an alternate director so appointed by him.
- (B) An alternate director shall be entitled to receive notice of all meetings of the board and of all meetings of committees of the board of which his appointor is a member, to attend and vote at any such meeting at which the director appointing him is not personally present, and generally to perform all the functions of his appointor as a director in his absence but shall not be entitled to receive any remuneration from the company for his services as an alternate director. But it shall not be necessary to give notice of such a meeting to an alternate director who is absent from the United Kingdom.

- (C) An alternate director shall cease to be an alternate director if his appointor ceases to be a director; but, if a director retires but is reappointed or deemed to have been reappointed at the meeting at which he retires, any appointment of an alternate director made by him which was in force immediately prior to his retirement shall continue after his reappointment.
- (D) Any appointment or removal of an alternate director shall be by notice to the company signed by the director making or revoking the appointment or in any other manner approved by the board.
- (E) Save as otherwise provided in the articles, an alternate director shall be deemed for all purposes to be a director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him.

74. PERSONS ELIGIBLE AS DIRECTORS

No person shall be appointed or reappointed a director at any general meeting unless -

- (A) he is recommended by the directors; or
- (B) not less than fourteen nor more than thirty-five clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the company of the intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the company's register of directors together with notice executed by that person of his willingness to be appointed or reappointed.

75. NOTICE OF APPOINTMENT OR REAPPOINTMENT

Not less than seven nor more than twenty-eight clear days before the date appointed for holding a general meeting notice shall be given to all who are entitled to receive notice of the meeting of any person who is recommended by the directors for appointment or reappointment as a director at the meeting or in respect of whom notice has been duly given to the company of the intention to propose him at the meeting for appointment or reappointment as a director. The notice shall give the particulars of that person which would, if he were so appointed or reappointed, be required to be included in the company's register of directors.

76. POWER OF BOARD TO APPOINT DIRECTORS

Subject to the articles, the board may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with the articles as the maximum number of directors. A director so appointed shall hold office only until the next following annual general meeting. If not reappointed at such annual general meeting, he shall vacate office at the conclusion thereof.

77. NO AGE LIMIT OR SHARE QUALIFICATION

No director shall be required to retire or vacate his office, and no person shall be ineligible for appointment as a director, by reason of his having attained any particular age. No shareholding qualification for directors shall be required.

78. POSITION OF RETIRING DIRECTORS

Subject as aforesaid, a director who retires at an annual general meeting may, if willing to act, be reappointed. If he 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.

79. DISQUALIFICATION AND REMOVAL OF DIRECTORS

(A) Without prejudice to the provisions of the Act or the articles, the company may, by extraordinary resolution, remove a director before the expiry of his period of office (but such removal shall be without prejudice to any claim to damages for breach of any contract of service between the director and the company) and, subject to the articles, may, by ordinary resolution, appoint another person instead of him.

(B) The office of a director shall be vacated if -

- (a) he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director; or
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (c) he is, or may be, suffering from mental disorder and either -
 - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960, or

- (ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
- (d) he resigns his office by notice to the company;
- (e) he is removed pursuant to article 79(A) or 80; or
- (f) he shall for more than six consecutive months have been absent without permission of the board from meetings of the board held during that period and the directors resolve that his office be vacated.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the board.

80. APPOINTMENT OF CHAIRMAN, DIRECTORS AND EXECUTIVES

(A) Initial Period

Without prejudice to article 80(B) below, until the time specified below, the Special Shareholder shall have the right to appoint the directors of the company (including, without limitation, the chairman of the board), to designate the executive offices of the company, to make appointments to those offices and to agree the terms and conditions (including remuneration) of such executive appointments. The power granted by this article 80(A) shall expire immediately upon the dissolution of the Post Office pursuant to and in accordance with the power granted under section 75(2) of the Postal Services Act, without prejudice to any appointments previously made.

(B) Future Appointments

Without prejudice to article 80(A) above, the Special Shareholder shall be entitled from time to time to appoint and to remove any person as a director of the company (including, without limitation, the chairman of the board) by notice in writing delivered to the company and signed on behalf of the Special Shareholder. The chairman shall be required to consult with and obtain the approval of the Special Shareholder in relation to the appointment and the removal of any person as director.

POWERS OF THE BOARD

81. GENERAL POWERS OF COMPANY VESTED IN THE BOARD

Subject to the provisions of the Act, the memorandum and the articles, the business of the company shall be managed by the board who may exercise all the powers of the company. No alteration of the memorandum or articles and no such direction shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this article shall not be limited by any special power given to the board by the articles and a meeting of the board at which a quorum is present may exercise all powers exercisable by the board.

82. STRATEGIC PLAN

(A) Preparation and approval of Strategic Plan

No later than 31 December each year (or such other time as the Special Shareholder may from time to time agree with the board) the board shall submit to the Special Shareholder a draft Strategic Plan in relation to the group for the following five financial years, complying with the principles set out in article 82(C) below.

(B) Consultation with the Special Shareholder

(a) Further information

Within 10 business days (or such other time as the Special Shareholder may from time to time agree with the board) following receipt by the Special Shareholder of the draft Strategic Plan pursuant to article 82(A) above, the Special Shareholder shall be entitled to request such further information as may reasonably be necessary in order for it to reach an informed view as to the content, reasonableness and prudence of the draft Strategic Plan. The board shall, in so far as it is able to do so, comply with any such request within 10 business days of its receipt (or such other time as the Special Shareholder may from time to time agree with the board).

(b) Consultation

Following the receipt by the Special Shareholder of the draft Strategic Plan pursuant to article 82(A) above, and, as appropriate, any further information supplied pursuant to article 82(B)(a) above, the Special Shareholder and the board shall promptly consult upon the content of the plan (such

consultation period to end no later than 20 Business Days (or such other time as the Special Shareholder may from time to time agree with the board) after receipt by the Special Shareholder of the draft Strategic Plan and further information provided pursuant to article 82(B)(a) as the case may be).

(c) Approval

The Special Shareholder shall within 20 Business days (or such other time as the Special Shareholder may from time to time agree with the board) of the end of the consultation period referred to in article 82(B)(b) above, approve the Strategic Plan, subject to such qualifications as the Special Shareholder may determine, or shall inform the board of its reasons for not approving the Strategic Plan, in which event the Special Shareholder shall request that the board prepare a new Strategic Plan to be submitted to the Special Shareholder within such time as shall be agreed with the Special Shareholder and in respect of which the provisions of this article 82 shall apply (*mutatis mutandis*).

(d) Amendments to the Strategic Plan

The board may from time to time request any changes to be made to any Strategic Plan approved by the Special Shareholder. Any such request shall be made to the Special Shareholder. The Special Shareholder may request further information and consult with the board about the proposed change in accordance with articles 82(B)(a) and (b) above, and shall then approve (or reject) the change in accordance with article 82(B)(c).

(C) Principles Governing the Strategic Plan

(a) Fundamental Objectives:

The Strategic Plan shall:

- (i) clearly set out the group's objectives and contain such information as can reasonably be expected to enable the Special Shareholder to give consideration to the strategic direction of the group's activities; and
- (ii) provide targets, expressed in terms of both cashflow and accounting rate of return and sufficient other financial information in order to enable the Special Shareholder

to set the group's profit target and dividend floor and consider the framework of the group's borrowings.

- (b) In particular the Strategic Plan shall:
- (i) include a statement of the overall commercial direction and goals of the group;
 - (ii) summarise the way in which it has evolved from the previous Strategic Plan, including a high level evaluation of the value added by the new Strategic Plan;
 - (iii) analyse the commercial and regulatory environment in which the group operates, including the board's view of the way in which the market is evolving and the development of competitors' activities;
 - (iv) set out the group's strategic response to the commercial and regulatory environment, including:
 - (a) its principal strategic options;
 - (b) its proposals for meeting the universal service obligation;
 - (c) its proposals for managing the nationwide network of post offices;
 - (d) the key issues to be resolved in the Strategic Plan for the following financial year;
 - (e) its strategic approach to remuneration of employees, including an expected ceiling on the aggregate level of employee remuneration; and
 - (f) the resources needed, in particular personnel, technology and funding;
 - (g) its high level financial and performance projections, at both the corporate and line-of-business level, with sensitivity analyses of the major risks;
 - (h) outline possibilities and plans for entering into partnerships and alliances;
 - (i) clear performance indicators which will enable the group's performance, in achieving its strategic objectives, to be measured; and

- (j) any proposals for entering into relevant transactions or for making any substantial alterations in the nature of the business carried on by any member of the group.

(D) Quarterly Information and Performance

The board shall prepare and discuss each quarter progress reports of the group's performance in relation to the Strategic Plan, and at the end of each quarter submit to the Special Shareholder its assessment of the group's performance in comparison with the Strategic Plan.

(E) Variations from Strategic Plan

If the information provided pursuant to article 82(D) above demonstrates a significant departure from the Strategic Plan, the board shall prepare a revised Strategic Plan for the remainder of the relevant financial year and the following four years which shall be submitted to the Special Shareholder within such time as shall be agreed with the Special Shareholder. The provisions of article 82(B)9d) above shall apply to such revised Strategic Plan.

(F) Effect of Approval of Strategic Plan

The approval of any Strategic Plan shall be deemed to be an approval of any matter within that Strategic Plan which would have required approval in accordance with article 12.1 if such matter is specifically identified with reasonable detail in that Strategic Plan as being proposed for approval in accordance with that aforementioned article.

83. BORROWING POWERS

The board may exercise all the powers of the company to borrow and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company, but subject to the restrictions contained in the articles.

84. APPOINTMENT OF AGENT

The board may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as it determine, including authority for the agent to delegate all or any of his powers.

85. POWER TO PROVIDE FOR EMPLOYEES

The board may by resolution exercise any power conferred by the Act 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 that subsidiary.

86. POWER TO RECEIVE UNCALLED MONEYS

The board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and remaining unpaid on any shares held by him.

87. DELEGATION OF THE BOARD'S POWERS

The board may delegate any of its powers to any committee consisting of one or more directors with power to sub-delegate. It may also delegate to any managing director or any director holding any other executive office such of its powers as it considers desirable to be exercised by him. Any such delegation may be made subject to any conditions the board may impose, and either collaterally with or to the exclusion of its own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by the articles regulating the proceedings of the board so far as they are capable of applying.

REMUNERATION OF DIRECTORS

88. DIRECTORS' FEES

Subject to the articles, each of the directors shall be paid a fee at such rate as may from time to time be determined by the board provided that the aggregate of all fees so paid to directors (excluding amounts payable under any other provision of these articles) shall not exceed £300,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the company.

89. ADDITIONAL REMUNERATION

Subject to the articles, any director who performs services which in the opinion of the board or any committee authorised by the board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may in its discretion decide in addition to any remuneration provided for by or pursuant to any other article.

90. DIRECTORS' EXPENSES

The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at board meetings or

committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties.

DIRECTORS' APPOINTMENTS AND INTERESTS

91. MANAGING DIRECTOR AND EXECUTIVE OFFICE

Subject to the provisions of the Act and the articles, the directors may appoint one or more of their number to the office of managing director or to any other executive office under the company and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company.

92. DIRECTORS' INTERESTS

Subject to the provisions of the Act, and provided that he has disclosed to the board the nature and extent of any material interest of his, a director notwithstanding his office:-

- (A) may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise interested;
- (B) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the company or in which the company is otherwise interested; and
- (C) shall not, by reason of his office, be accountable to the company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

93. NOTICE OF INTERESTS

For the purposes of article 92 -

- (A) a general notice given to the board that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of

persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified; and

- (B) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

DIRECTORS' GRATUITIES AND PENSIONS

94. DIRECTORS' GRATUITIES AND PENSIONS

Subject to the articles, the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, connections or dependants of any director or former director who holds or has held any executive office or employment with the company or with any body corporate which is or has been a subsidiary of the company or with a predecessor in business of the company or of any such body corporate and may contribute to any fund and pay premiums for the purchase or provision of any such benefit. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

PROCEEDINGS OF DIRECTORS

95. BOARD MEETINGS

Subject to the provisions of the articles, the board may regulate its proceedings as it thinks fit. A director may, and the secretary at the request of a director shall, call a meeting of the board.

96. NOTICE

Notice of a meeting of the board shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose, or by any other means authorised in writing by the director concerned. Notice shall be given in this manner to all directors including any director who is for the time being absent from the United Kingdom. A director may waive notice of any meeting either prospectively or retrospectively.

97. VOTING

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

98. QUORUM

The quorum for the transaction of the business of the board may be fixed by the board and unless so fixed at any other number shall be two. A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.

99. DIRECTORS BELOW MINIMUM THROUGH VACANCIES

The continuing directors or a sole continuing director may act notwithstanding any vacancies in their number, but, if the number of directors is less than the number fixed as the quorum, the continuing directors or director may act only for the purpose of filling vacancies or of calling a general meeting.

100. CHAIRMAN

The chairman shall be the person appointed pursuant to article 80. In the absence of such appointment the directors may appoint one of their number to be the chairman or the deputy chairman of the board and may at any time remove him from that office. Unless he is unwilling to do so, the chairman or failing him the deputy chairman shall preside at every meeting of the board at which he is present. But if there is no director holding that office, or if the director holding it is unwilling to preside or if neither the chairman nor deputy chairman is present within five minutes after the time appointed for the meeting, the directors present may appoint one of their number to be chairman of the meeting.

101. VALIDITY OF ACTS OF BOARD OR COMMITTEE

All acts done by the board, or by a committee of directors, or by a person acting as a director or member of a committee shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or member of a committee or person so acting or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director or member of the committee and had been entitled to vote.

102. RESOLUTION IN WRITING

A resolution in writing signed by all the directors entitled to receive notice of a meeting of the board (if that number is sufficient to constitute a quorum) or by all the members of a committee of directors shall be as valid and effectual as if it had been passed at a board meeting or (as the case may be) a committee of directors duly convened and held and may consist of several documents in the like form each signed by one or more directors; but a resolution signed by an alternate director need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate director, it need not be signed by the alternate director in that capacity.

103. PARTICIPATION IN BOARD MEETINGS BY TELEPHONE

All or any of the members of the board or any committee of the board may participate in a board meeting or that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is.

104. PERMITTED INTERESTS AND VOTING

- (A) Save as otherwise provided by the articles, a director shall not vote at a meeting of the board or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the company unless his interest or duty arises only because the case falls within one or more of the following paragraphs -
- (i) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the company or any of its subsidiaries; and/or
 - (ii) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the company or any of its subsidiaries for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; and/or

- (iii) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the company or any of its subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the company or any of its subsidiaries for subscription, purchase or exchange; and/or
- (iv) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes.

For the purposes of this article, an interest of a person who is, for any purpose of the Act (excluding any statutory modification thereof not in force when this article becomes binding on the company), connected with a director shall be treated as an interest of the director and, in relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

- (B) A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.
- (C) The company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the articles prohibiting a director from voting at a meeting of the board or of a committee of directors.
- (D) Where proposals are under consideration concerning the appointment of two or more directors to offices or employments with the company or any body corporate in which the company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not for another reason precluded from voting) each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (E) If a question arises at a meeting of the board or of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive.

SECRETARY

105. APPOINTMENT AND REMOVAL OF COMPANY SECRETARY

Subject to the provisions of the Act, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

MINUTES

106. KEEPING OF MINUTES

The directors shall cause minutes to be made in books kept for the purpose -

- (A) of all appointments of officers made by the directors; and
- (B) of all proceedings at meetings of the company, of the holders of any class of shares in the company, and of the board, and of committees of directors, including the names of the directors present at each such meeting.

THE SEAL

107. USE OF SEALS

The seal shall only be used by the authority of the board or of a committee of directors authorised by the board. The board may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a director and by the secretary or by a second director.

DIVIDENDS

108. DECLARATION OF DIVIDENDS

Subject to the provisions of the Act and the articles, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board. The aggregate dividends paid in any accounting period of the company shall not exceed the greater of 40 per cent. of the company's net profits after tax in such accounting period and any dividend floor set by the Special Shareholder for such accounting period (as communicated by the Special Shareholder to the company in writing at the same time or immediately after the Special Shareholder approves the Strategic Plan (in accordance with these articles) for the five financial years commencing with such accounting period).

109. PAYMENT OF INTERIM AND FIXED DIVIDENDS BY BOARD

Subject to the provisions of the Act and the articles, the board may pay interim dividends if it appears to it that they are justified by the profits of the company available for distribution. If the share capital is divided into different classes, the board may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. The board may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the directors act in good faith they shall 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 any shares having deferred or non-preferred rights.

110. CALCULATION OF DIVIDENDS

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms provided that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

111. DIVIDENDS NOT IN CASH

A general meeting declaring a dividend may, upon the recommendation of the board, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the board may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

112. PAYMENT OF DIVIDENDS

Any dividend or other moneys payable in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Every cheque shall be made payable to the order of the

person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share.

113. NO INTEREST ON DIVIDENDS

No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share.

114. AMOUNTS DUE ON SHARES MAY BE DEDUCTED FROM DIVIDENDS

The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company.

115. FORFEITURE OF UNCLAIMED DIVIDENDS

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the company.

ACCOUNTS

116. RECORDS TO BE KEPT

The board shall cause to be kept accounting records sufficient to show and explain the company's transactions, and such as to disclose with reasonable accuracy at any time the financial position of the company at that time, and which accord with the Act.

117. INSPECTION OF RECORDS

No member shall (as such) have any right of inspecting any accounting records or other book or document of the company except as conferred by statute or authorised by the board or by ordinary resolution of the company.

CAPITALISATION OF PROFITS

118. POWER TO CAPITALISE RESERVES AND FUNDS

The board may with the authority of an ordinary resolution of the company -

- (A) subject as hereinafter provided, resolve to capitalise any undivided profits of the company not required for paying any preferential dividend (whether or not they are available for distribution) or any

sum standing to the credit of the company's share premium account or capital redemption reserve;

- (B) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other; but the share premium account, the capital redemption reserve, and any profits which are not available for distribution may, for the purposes of this article, only be applied in paying up unissued shares to be allotted to members credited as fully paid;
- (C) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall so long as such shares remain partly paid rank for dividend only to the extent that the latter shares rank for dividend;
- (D) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this article in fractions; and
- (E) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members.

RECORD DATES

119. RECORD DATES

Notwithstanding any other provision of these articles, but without prejudice to the rights attached to any shares, the company or the directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared, paid or made. Where such a record date is fixed, references in these articles to a holder of shares or member to whom a dividend is to be paid or a distribution, allotment or issue is to be made shall be construed accordingly.

NOTICES

120. NOTICES IN WRITING

Any notice to be given to or by any person pursuant to the articles shall be in writing except that a notice calling a meeting of the board need not be in writing.

121. SERVICE OF NOTICES

Subject to the articles, the company may give any notice to a member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address. In the case of joint holders of a share, all notices shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders. A member whose registered address is not within the United Kingdom and who gives to the company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the company.

122. DEEMED RECEIPT OF NOTICE BY MEMBERS PRESENT AT MEETING

A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

123. SHAREHOLDERS BOUND BY NOTICE

Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title.

124. TIME OF SERVICE

Any notice or other document, if sent by the company by post, shall be deemed to have been served or delivered twenty four hours after posting and, in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post. Subject to the articles, any notice or other document left by the company at a registered address otherwise than by post, or sent by fax or telex or other instantaneous means of transmission, shall be deemed to have been served or delivered when it was so left or sent.

125. SERVICE OF NOTICE ON PERSON ENTITLED BY TRANSMISSION

A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the articles for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

WINDING UP**126. DISTRIBUTION OF ASSETS OTHERWISE THAN IN CASH**

If the company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

INDEMNITY**127. INDEMNITY OF OFFICERS**

Subject to the provisions of the Act, the company may indemnify any director or other officer against any liability and may purchase and maintain for any director or other officer insurance against any liability. Subject to those provisions, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer of the company shall be indemnified out of the assets of the company against any liability incurred by him as a director or other officer of the company, in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under the Act in which relief is granted to him by the court.

For the purposes of this article no person appointed or employed by the company as an auditor is an officer of the company.