



THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

PRELIMINARY

1. (a) The Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (such Table being hereinafter called "Table A") shall apply to the Company save in so far as they are excluded or varied hereby and such Regulations (save as so excluded or varied) and the Articles hereinafter contained shall be the regulations of the Company.
- (b) In these Articles the expression "the Act" means the Companies Act 1985, but so that any reference in these Articles to any provision of the Act shall be deemed to include a reference to any statutory modification or re-enactment of that provision for the time being in force.

SHARE CAPITAL

2. The authorised share capital of the Company is £680,000 divided into:-
 - 450,000 Cumulative Redeemable Preference shares of £1 each (the "Preference Shares")
 - 230,000 ordinary shares of £1 each (the "Ordinary Shares").

DIVIDENDS

3. (a) The profits of the Company available for distribution shall be used in paying to the holders of the Preference Shares a cumulative preferential net cash dividend (the "Preference Dividend") as follows:
 - 3.1 firstly, in the payment of any arrears of the dividend due to the holders of the Preference Shares, the dividend first in arrears being paid first; and

"Adopted pursuant to a written Resolution by the members of the company on 26 January 2000"

Shine Agius
Director.

3.2 secondly, in paying to the holders of the Preference Shares a dividend as follows:-

Amount net of tax	:	<p>8% of the par value of the Preference Shares for the years ending 31 October 2000 to 31 October 2005 (inclusive).</p> <p>9% of the par value of the Preference Shares for the year ending 31 October 2006;</p> <p>10% of the par value of the Preference Shares for the year ending 31 October 2007;</p> <p>11% of the par value of the Preference Shares for the year ending 31 October 2008;</p> <p>12% of the par value of the Preference Shares for the year ending 31 October 2009;</p> <p>13% of the par value of the Preference Shares for the year ending 31 October 2010;</p> <p>13% of the par value of the Preference Share for each year thereafter.</p>
----------------------	---	---

Accrued date : accruing from 31 October 1999

Payment dates : not later than 14 days after the end of the relevant accounting period.

(b) The profits of the Company available for distribution shall be calculated in accordance with normal accounting conventions and, so long as any of the Preference Shares remain unredeemed, the Directors' remuneration and any similar emoluments or inter-company management charges shall not in aggregate exceed £100,000 per annum, except with the prior unanimous consent of the holders of the Preference Shares.

4. No dividends shall be payable in respect of any shares of any class in the capital of the Company other than the Preference Shares and Clauses 102 and 103 in Table A shall be amended accordingly.

RETURN OF CAPITAL

5. On a return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after the payment of its liabilities shall be applied in the following order of priority:-
- 5.1 first in paying to the holders of the Preference Shares £1 per share together with a sum equal to any arrears or accruals of the Preference Dividend calculated down to the date of the return of capital;
- 5.2 the balance of such assets shall be distributed amongst the holders of the Ordinary Shares (pari passu as if the same constituted one class of share) in proportion to the amounts paid up or credited as paid up on Ordinary Shares held by them respectively.

REDEMPTION OF PREFERENCE SHARES

6. (a) Subject to the provisions of the Act the Preference Shares shall be redeemed in the proportions and on the dates set out below:-

Redemption Date	Number of Shares redeemable
31 October 2006	90,000
31 October 2007	90,000
31 October 2008	90,000
31 October 2009	90,000
31 October 2010	90,000

and any shares not redeemed upon the due date shall be redeemed forthwith upon redemption becoming permissible under the Act.

- (b) The Company shall pay on each of the Preference Shares redeemed the sum of £1. At the same time it shall pay any arrears or accruals of the dividend due on the Preference Shares calculated to the date of redemption. In the absence of any direction to the contrary by the holder of the relevant Preference Shares any monies paid on redemption of such shares shall relate first to the said arrears and accruals of the dividend. Dividends on Preference Shares shall cease to accrue from the date of payment of the redemption moneys.
- (c) Subject to the provisions of the Act the Company may redeem all or some of the Preference Shares in advance of the due date for redemption. In the absence of any

contrary agreement any partial early redemption shall be deemed to relate to the shares falling due for redemption in inverse order of maturity.

VOTING

7. The holders of the Preference Shares shall be entitled to receive notices of all general meetings of the Company and shall be entitled to attend such meetings. The Preference Shares shall not carry the right to vote at any such meetings except where the dividend payable on the Preference Shares is more than 6 months in arrears in which case the holders of the Preference Shares will have one vote for every share held until such time as the arrears of dividend have been settled.

CLASS RIGHTS

8. The special rights attached to the Preference Shares may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, only with the consent in writing of the holders of all of the issued shares of that class. Without prejudice to the generality of this article, the special rights attached to the Preference Shares shall be deemed to be varied by the Company:
 - 8.1 altering its memorandum or articles of association; or
 - 8.2 varying in any way (whether directly or indirectly) the rights attached to any of the shares for the time being in the capital of the Company; or
 - 8.3 passing a resolution that it be wound up; or
 - 8.4 altering, increasing, reducing, sub-dividing or consolidating its authorised or issued share capital; or
 - 8.5 granting any option or other right to subscribe for shares; or
 - 8.6 disposing of its undertaking or assets or any substantial part thereof; or
 - 8.7 altering its borrowing, guaranteeing or charging powers; or
 - 8.8 altering its accounting reference date; or

- 8.9 permitting a transfer of a controlling interest in its share capital.

TRANSFER OF SHARES

9. (a) The Directors may, in their absolute discretion and without assigning any reason therefor, decline to register the transfer of a share, whether or not it is a fully paid share, and the first sentence of Clause 24 in Table A shall not apply to the Company.
- (b) Notwithstanding the provisions of the foregoing paragraph (a) of Article 9, or any other provisions of these Articles, the Directors shall be bound to register the transfer of any of the Preference Shares between Moray Badenoch and Strathspey Enterprise Company Limited and Highlands and Islands Enterprise Company or to their respective successors or to any public sector nominee of the Secretary of State and no member of the Company shall have any pre-emption rights in respect thereof.

SHARES

10. The lien conferred by Clause 8 in Table A shall attach also to fully paid-up shares, and the Company shall also have a first and paramount lien on all shares, whether fully paid or not, standing registered in the name of any person indebted or under liability to the Company, whether he shall be the sole registered holder thereof or shall be one of two or more joint holders, for all moneys presently payable by him or his estate to the Company. Clause 8 in Table A shall be modified accordingly.
11. The liability of any member in default in respect of a call shall be increased by the addition at the end of the first sentence of Clause 18 in Table A of the words "and all expenses that may have been incurred by the Company by reason of such non-payment".

GENERAL MEETINGS AND RESOLUTIONS

12. (a) A notice convening a General Meeting shall be required to specify the general nature of the business to be transacted only in the case of special business and Clause 38 in Table A shall be modified accordingly.

All business shall be deemed special that is transacted at an Extraordinary General Meeting, and also all that is transacted at an Annual General

Meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the Directors and Auditors, and the appointment of, and the fixing of the remuneration of, the Auditors.

- (b) Every notice convening a General Meeting shall comply with the provisions of Section 372(3) of the Act as to giving information to Members in regard to their right to appoint proxies; and notices of and other communications relating to any General Meeting which any member is entitled to receive shall be sent to the Directors and to the Auditors for the time being of the Company.
- 13.
- (a) Clause 40 in Table A shall be read and construed as if the words “at the time when the Meeting proceeds to business” were added at the end of the first sentence.
 - (b) If a quorum is not present within half an hour from the time appointed for a General Meeting the General Meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine; and if at the adjourned General Meeting a quorum is not present within half an hour from the time appointed therefor such adjourned General Meeting shall be dissolved.
 - (c) Clause 41 in Table A shall not apply to the Company.

APPOINTMENT OF DIRECTORS

- 14.
- (a) Clause 64 in Table A shall not apply to the Company.
 - (b) The maximum number and minimum number respectively of the Directors may be determined from time to time by Ordinary Resolution in General Meeting of the Company. Subject to and in default of any such determination there shall be no maximum number of Directors and the minimum number of Directors shall be one. Whensoever the minimum number of the Directors shall be one, a sole Director shall have authority to exercise all the powers

and discretions by Table A and by these Articles expressed to be vested in the Directors generally, and Clause 89 in Table A shall be modified accordingly.

- (c) The Directors shall not be required to retire by rotation and Clauses 73 to 80 (inclusive) in Table A shall not apply to the Company.
- (d) No person shall be appointed a Director at any General Meeting unless either:-
 - (i) he is recommended by the Directors; or
 - (ii) not less than fourteen nor more than thirty-five clear days before the date appointed for the General Meeting, notice executed by a Member qualified to vote at the General Meeting has been given to the Company of the intention to propose that person for appointment, together with notice executed by that person of his willingness to be appointed; or
 - (iii) he is appointed in accordance with paragraph (g) hereof.
- (e) Subject to paragraph (d) above, the Company may by Ordinary Resolution in General Meeting appoint any person who is willing to act to be a Director, either to fill a vacancy or as an additional Director.
- (f) The Directors 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 determined in accordance with paragraph (b) above as the maximum number of Directors for the time being in force.
- (g) The holders of the Preference Shares shall be entitled, at any time be serving notice in writing on the Company, to appoint a Director of their choosing to the Board of Directors of the Company and to remove or replace, by such notice, the Director so appointed. Such a Director shall not be subject to retiral or removal by the Company.

BORROWING POWERS

15. The Directors may exercise all the powers of the Company to borrow money without limit as to amount and upon such terms and in such manner as they think fit, and subject (in the case of any security convertible into shares) to Section 80 of the Act to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

ALTERNATE DIRECTORS

16. (a) An alternate Director shall not be entitled as such to receive any remuneration from the Company, save that he may be paid by the Company such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct and the first sentence of Clause 66 in Table A shall be modified accordingly.
- (b) A Director, or any such other person as is mentioned in Clause 65 in Table A, may act as an alternate Director to represent more than one Director, and an alternate Director shall be entitled at any meeting of the Directors or of any committee of the Directors to one vote for every Director whom he represents in addition to his own vote (if any) as a Director, but he shall count as only one for the purpose of determining whether a quorum is present.

DISQUALIFICATION OF DIRECTORS

17. The office of a Director shall be vacated if he becomes incapable by reason of illness or injury of managing and administering his property and affairs, and Clause 81 in Table A shall be modified accordingly.

REMUNERATION, GRATUITIES AND PENSIONS

18. (a) So long as any of the Preference Shares remain unredeemed, the Directors' remuneration and any similar emoluments or inter-company management charges shall not in aggregate exceed £100,000 per annum, except with the

prior unanimous consent of the holders of the Preference Shares, and Clause 82 in Table A shall be amended accordingly.

- (b) The Directors may exercise the powers of the Company conferred by Clause 3(v) of the Memorandum of Association of the Company and shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.
- (c) Clause 87 in Table A shall not apply to the Company.

PROCEEDINGS OF DIRECTORS

- 19. (a) A Director may vote, at any meeting of the Directors or of any committee of the Directors, on any resolution, notwithstanding that it in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever, and if he shall vote on any such resolution as aforesaid his vote shall be counted; and in relation to any such resolution as aforesaid he shall (whether or not he shall vote on the same) be taken into account in calculating the quorum present at the meeting.
- (b) Clauses 94 to 97 (inclusive) in Table A shall not apply to the Company.

INDEMNITY

- 20. (a) Every Director or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 144 or Section 727 of the Act in which relief is granted to him by the Court, and no Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But this Article shall only have effect in so far as its provisions are not avoided by Section 310 of the Act.
- (b) Clause 118 in Table A shall not apply to the Company.

21. The Directors may from time to time appoint any person to be President or Vice President of the Company and may also from time to time remove him from office and may appoint another person in his place. The appointments to the office of President and Vice-President of the Company need not be Directors and shall not by reason of their holding the office of President or Vice-President be deemed to be a Director of the Company.