

Company Number: 2366777

THE COMPANIES ACT 1985

Private Company Limited by Shares

Written Resolutions of Dwr Cymru Cyfyngedig (the "Company")

Date of the Resolutions: 24 March 2006

The following resolutions were passed as Written Resolutions by all the members of the Company and all the holders of the 7% Preference Shares issued by the Company in accordance with the Articles of Association of the Company:

SPECIAL RESOLUTIONS

- 1 THAT with effect on 31 March 2006, the 200,000,000 7% Preference Shares issued by the Company be reclassified as 200,000,000 Ordinary Shares and rank *pari passu* with existing Ordinary Shares, and that the rights attached to such 7% Preference Shares be varied or abrogated accordingly.
- 2 THAT no Fixed Dividend, or proportional amount in respect of any Fixed Dividend, shall be due or payable to the holders of the Preference Shares.
- 3 THAT the Memorandum of Association, reference A06069742/2.0 and signed by the Company Secretary for the purposes of identification, be and is hereby approved and be, with effect on 31 March 2006, adopted as the Memorandum of Association of the Company in substitution for and to the exclusion of the existing Memorandum of Association.
- 4 THAT the Articles of Association, reference A06069742/2.0 and signed by the Company Secretary for the purposes of identification, be and is hereby approved and be, with effect on 31 March 2006, adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.



A handwritten signature in black ink, appearing to read "R.G. Pugh", is written over a dotted line.

Company Secretary

Company Number: 2366777

THE COMPANIES ACT 1985

Private Company Limited by Shares

**Written Class Consent of Dwr Cymru Cyfyngedig
(the "Company")**

Date of Consent: 24 March 2006

The following consent was passed in writing by all the holders of the 7% Preference Shares in accordance with the Articles of Association of the Company:

**Consent by the Holders of the 7% Preference Shares
to Variation of Special Rights**

We, the undersigned, being the holders of all of the 7% Preference Shares of £1 each in the capital of the Company **hereby sanction and consent** to the passing of the Resolutions in the form attached to this written consent and to any and every variation, alteration or modification of the special rights attaching to such Preference Shares proposed to be effected by or required to give effect to such Resolutions and declare that the said Resolutions shall if passed be binding on all the holders of such Preference Shares.



.....
Company Secretary

Company Number: 2366777

Signed for Identification
Purposes by

R.G. Lewis

Richard Lewis
Company Secretary

24 MARCH 2006

**THE COMPANIES ACT 1985
A COMPANY LIMITED BY SHARES**

**MEMORANDUM
and
ARTICLES
OF ASSOCIATION
OF**

DWR CYMRU CYFYNGEDIG

(Adopted with effect on 31 March 2006)

Reference: A06069742/2.0

THE COMPANIES ACT 1985

A COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

DWR CYMRU CYFYNGEDIG
(Adopted with effect on 31 March 2006)

- 1 The name of the Company is "**DWR CYMRU CYFYNGEDIG**".
- 2 The registered office of the Company will be situate in Wales.
- 3 The objects for which the Company is established are:
 - (a) Either itself or through any subsidiary undertaking or undertakings to:
 - (i) carry on the business of a water undertaker ("**Water Undertaker**") pursuant to an appointment made under the Water Industry Act 1991 or any statutory modification or re-enactment thereof for the time being in force ("**the Act**") including but not limited to, whether by procurement from third parties or otherwise, the provision, operation, development, maintenance, improvement and extension of a system of water supply, the abstraction, collection, storage, treatment, distribution and supply of water, and the provision, operation, maintenance, improvement and extension of water mains and other pipes;
 - (ii) carry on the business of a sewerage undertaker under the Act ("**Sewerage Undertaker**") including but not limited to, whether by procurement from third parties or otherwise, the provision, operation, development, maintenance, improvement and extension of a system of public sewers, the removal, treatment and disposal of waste, sewage, sludge and other effluent, and the provision, operation, emptying, cleansing, maintenance, improvement and extension of sewers and drains; and
 - (iii) in respect of the activities described in sub-paragraphs (i) and (ii), do anything which a Water Undertaker or Sewerage Undertaker is empowered or required to do under the Act, or any other enactment, or which is, or is considered by the Directors to be, expedient for such an undertaker to do or which, in the opinion of the Directors, may facilitate or be conducive to or further or supplement the performance or carrying on of any of the functions or activities of such an undertaker.

- (b) To acquire and undertake the whole or any part of the business, goodwill and assets of any person, firm, company, association or body carrying on or proposing to carry on any of the businesses which the Company or any subsidiary undertaking is authorised to carry on, and, as part of the consideration for such acquisition, to undertake all or any of the liabilities of such person, firm, company, association or body, or to acquire an interest in, amalgamate with, or enter into any arrangement for co-operation or for mutual assistance with, or to make grants, donations or loans to, any such person, firm, company, or body.
- (c) To further all or any of the objects of the Company directly or indirectly through subsidiary undertakings and to establish or promote, or participate in establishing or promoting, any subsidiary undertaking, company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire or hold securities of any company, fund or trust, in each case whether or not such subsidiary undertaking, company, fund or trust has or promotes, or carries on activities falling within, the objects of the Company or objects similar thereto.
- (d) To make and carry into effect such agreements or arrangements with Governments, authorities and other persons as may appear conducive to the furtherance of any of the objects of the Company or any subsidiary undertaking.
- (e) To make suitable arrangements for the administration of the Company or any subsidiary undertaking and the carrying out of its objects and for this purpose to provide in whole or in part for the salaries or maintenance of officers, servants and employees and to support and subscribe to any object, and any institution, society or club whose work is calculated to promote the objects of the Company or of any subsidiary undertaking or to benefit its employees or former employees, and which may be connected with any town or place where the Company or any subsidiary undertaking carries on its business; to give or procure the giving of pensions or other superannuation benefits, emoluments, gratuities or charitable aid to any persons who may have been employed by or may have served the Company or any subsidiary undertaking, or any Director or former Director of the Company or of any subsidiary undertaking (whether or not such Director or former Director has held any salaried office or place of profit with the Company or any subsidiary undertaking) or any individuals who are or were at any time members, or eligible to be members, of a scheme established or designated under Section 27 of the Water Act 1973 or contained in or governed by regulations under Section 7 or Section 12 of the Superannuation Act 1972 or the spouses, children or other relatives or dependants of such persons; to make payment for or towards insurance for their benefit; to form, manage, maintain or contribute or subscribe to provident, benefit or any similar funds and superannuation and pension funds or other schemes for the benefit of any such persons, and of their spouses, children, other relatives and dependants.
- (f) To purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, employees or auditors of the Company, or of any subsidiary undertaking, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the

exercise or purported exercise of their powers and/or otherwise in relation to the Company or subsidiary undertaking or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability.

- (g) To raise or borrow money for the purposes of the Company or any subsidiary undertaking on such terms and on such security, if any, as may be thought fit, and to make arrangements for the discharge or guarantee of and security for all or any of the liabilities of the Company or any subsidiary undertaking.
- (h) To invite and receive any property, endowment, legacy, bequest or gift for any purpose within the objects of the Company or any subsidiary undertaking and to act as trustees or managers thereof.
- (i) To enter into such agreements or arrangements of whatever nature with organisations having objects similar to those of the Company or any subsidiary undertaking as may be calculated to further the objects of the Company or any subsidiary undertaking.
- (j) To make grants or donations or loans to or to amalgamate or affiliate with any company or body which has objects similar to the objects of the Company or any subsidiary undertaking as may be calculated to further the objects of the Company or any subsidiary undertaking.
- (k) To promote or oppose or join in promoting or opposing any legislative or other measures affecting or likely to affect the business of the Company or any subsidiary undertaking.
- (l) To purchase, take on lease or in exchange, hire or otherwise acquire any real or personal property or any rights or privileges which the Company or any subsidiary undertaking may think necessary or convenient for the promotion of its objects, and to construct, maintain and alter any buildings or erections necessary or convenient for the work of the Company or any subsidiary undertaking.
- (m) To sell, let, mortgage, dispose of or turn to account all or any of the property or assets of the Company or any subsidiary undertaking as may be thought expedient with a view to the furtherance of its objects.
- (n) To act as agents, brokers and trustees for any person, firm or company and to act in any of the businesses of the Company or any subsidiary undertaking through or by means of agents, brokers or others and generally to undertake and transact all kinds of agency or other business which an ordinary individual may legally undertake.
- (o) To invest the moneys of the Company or any subsidiary undertaking not immediately required for its purposes in or upon such investments, securities or property as may be thought fit.
- (p) To lend or advance money to any person or persons on such terms as to repayment, interest and security, or otherwise, as the Board may decide, and to give guarantees, indemnities or provide security in respect of the fulfilment of any contracts or obligations of, and to become surety for or otherwise financially aid, any person or persons as the Board may decide.

- (q) To draw, make, accept, endorse, discount, negotiate, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
- (r) To conduct, promote and commission research and development in connection with the activities of the Company and its subsidiaries, to establish and maintain research stations, laboratories, workshops, testing and proving grounds, facilities and establishments and installations and to exploit and turn to account the results of any research and development carried out by or for it.
- (s) To apply for and take out, purchase or otherwise acquire any patents, patent rights, inventions, secret processes, designs, copyrights, trade marks, service marks, commercial names and designations, know-how, formulae, licences, concessions and the like (and any interest in any of them) or any exclusive or non-exclusive or limited right to use, or any secret or other information as to any invention or secret process of any kind and to use, exercise, develop, or grant licences in respect of, or otherwise turn to account or deal with, the property, rights or information so acquired.
- (t) To subscribe or guarantee money for any national, regional, charitable, benevolent or public purpose which may be considered likely directly or indirectly to further the interests of the Company.
- (u) To do all or any of the above things as principal, agent, trustee, contractor or otherwise, and either alone or in conjunction with others, and either by or through agents, trustees, sub-contractors or otherwise.
- (v) To do all such lawful things as may be considered to be incidental or conducive to the attainment of the above objects or any of them.

AND IT IS HEREBY DECLARED that in this Clause:

- (i) unless the context otherwise requires words in the singular include the plural and vice versa;
- (ii) unless the context otherwise requires a reference to a person includes a reference to a company and a reference to a person or company includes a reference to a firm, partnership, corporation, government or other authority (municipal, local or otherwise), undertaking, organisation, association, statutory, public or other body and any other legal entity, whether resident, domiciled or situated (in any such case) in the United Kingdom or elsewhere;
- (iii) references to "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible;
- (iv) the words "subsidiary" (except in paragraph (v) below) and "holding company" have the same meaning as in Section 736 of the Companies Act 1985 or any statutory modification or re-enactment of it; and
- (v) the objects specified in each of the foregoing paragraphs of this Clause shall be separate and distinct objects of the Company and accordingly shall not be in any way limited or restricted (except so far as otherwise expressly stated in any paragraph) by reference to or inference from the terms of any other paragraph or the order in which the paragraphs occur or the name of the Company, and none of

the paragraphs shall be deemed merely subsidiary or incidental to any other paragraph.

- 4 The income and property of the Company, whenever derived, shall be applied solely towards the promotion of the objects of the Company as set forth in this Memorandum of Association, and no portion thereof shall be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise howsoever by way of profit, to the Members of the Company.

Provided that nothing herein shall prevent the payment, in good faith, of reasonable and proper remuneration to any officer or servant of the Company, or to any Members of the Company in return for any services actually rendered to the Company, nor prevent the payment of interest at a reasonable and proper rate on money lent or reasonable and proper rent for premises demised or let by any member to the Company.

- 5 If upon the winding-up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the Members of the Company, but shall be given or transferred to some other institution or institutions, having objects similar to the objects of the Company, and which shall prohibit the distribution of its or their income and property amongst its or their members to an extent at least as great as is imposed on the Company under or by virtue of Clause 4 hereof, such institution or institutions to be determined by the Members of the Company at or before the time of dissolution, and if and so far as effect cannot be given to such provision, then to some charitable object to be so determined.

- 6 No addition, alterations or amendment shall be made to Clause 4 or Clause 5 or to this Clause 6.

- 7 The liability of the Members is limited.

- 8 The Company's share capital is £501,050,000 divided into 501,050,000 Ordinary Shares of £1 each.

We, the subscribers to this Memorandum of Association, wish to be formed into a company pursuant to this Memorandum and we agree to take the share shown opposite our name.

Names and Addresses of Subscribers	Number of Shares taken
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Signed: Jacqueline Samuels For and on behalf of Legibus Secretaries Limited Royex House Aldermanbury Square London EC2V 7LD	One
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Signed: Christine Anne Lee Royex House Aldermanbury Square London EC2V 7LD	One
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Total Shares taken:	Two
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Dated 16 March 1989

Witness to all the above signatures:

Denise Ward
Royex House
Aldermanbury Square
London
EC2V 7LD

ARTICLES OF ASSOCIATION
of
DWR CYMRU CYFYNGEDIG
(Articles adopted with effect on 31 March 2006)

Interpretation

1 Preliminary

The regulations contained in Table A in The Companies (Tables A to F) Regulations 1985 (as amended so as to affect companies first registered on the date of incorporation of the Company) shall, except as hereinafter provided and so far as not inconsistent with the provisions of these Articles, apply to the Company to the exclusion of all other regulations or Articles of Association. References herein to regulations are to regulations in the same Table A unless otherwise stated.

2 Definitions

In these Articles unless the context otherwise requires:

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

“**Employee**” means an employee of the Company or any of its subsidiaries;

“**Executive Director**” means a Director appointed to hold any employment or executive office within the Company (including that of a chief executive or a managing director) pursuant to Article 48;

“**Listing Rules**” means the Listing Rules of the Financial Services Authority acting in its capacity as a competent authority under the Financial Services Act 1986, as the same may be amended from time to time;

“**Member**” means a member of the Company;

“**Non-Executive Director**” means a Director, other than an Executive Director;

“**Relevant Transaction**” means any transaction involving the acquisition or disposal of property by the Company which is classified as Class 1 under the provisions of the Listing Rules;

“**seal**” means any common or official seal that the Company may be permitted to have under the Companies Acts;

“**these Articles**” means these articles of association as altered from time to time by special resolution and the expression “**this Article**” shall be construed accordingly;

“**the Auditors**” means the auditors for the time being of the Company or, in the case of joint auditors, any one of them;

“**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;

"the Companies Acts" means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company;

"the Office" means the registered office from time to time of the Company;

"the Secretary" means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the Company and (except in Article 71) includes an assistant or deputy secretary and any person appointed by the Board to perform any of the duties of the secretary;

"United Kingdom" means Great Britain and Northern Ireland;

references to a document being executed include references to its being executed under hand or under seal or by any other method;

references to writing include references to any method of representing or reproducing words in a legible and non-transitory form including (but only to the extent that the recipient (if not the Company) has requested or agreed) electronic communication;

the expressions **"communication"** and **"electronic communication"** shall have the same respective meanings as in the Electronic Communications Act 2000, the latter including, without limitation, e-mail, facsimile, CD-Rom, audio tape and telephone transmission and (in the case of electronic communication by the Company in accordance with Article 81) publication on a web site;

the expression **"address"** shall include, in relation to electronic communication, any number or address used for the purpose of such communication; and

words or expressions to which a particular meaning is given by the Companies Acts in force when these Articles or any part of these Articles are adopted bear the same meaning in these Articles or that part (as the case may be) save that the word **"company"** shall include any body corporate.

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

3 Share Capital

The authorised share capital of the Company at the date of adoption of this Article is £501,050,000 divided into 501,050,000 Ordinary Shares.

4 Transfer of Shares

Save in the case of the perfection or enforcement of any security interest where the Directors shall have no such discretion and shall register such transfer, the Directors may in their absolute discretion decline to register any transfer of shares without assigning any reason therefore. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

5 Proceedings at General Meetings

In the case of a corporation a resolution in writing may be signed on its behalf by a Director or the Secretary thereof or by its duly appointed attorney or duly authorised representative. Regulation 53 shall be extended accordingly. Regulation 53 (as so extended) shall apply *mutatis mutandis* to resolutions in writing of any class of members of the Company.

6 Form of Resolution

- 6.1** Subject to the Companies Acts, 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.
- 6.2** 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.

7 Votes of Members

- 7.1** An instrument appointing a proxy (and, where it is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof) must either be delivered at such place or one of such places (if any) as may be specified for that purpose in or by way of note to the notice convening the meeting (or, if no place is so specified, at the registered office) before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or be delivered to the Secretary (or the chairman of the meeting) on the date and at the place of, but in any event before the time appointed for holding, the meeting or adjourned meeting or poll. The instrument may be in the form of a facsimile or other machine-made copy and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

An instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates. Regulation 62 shall not apply.

- 7.2** At a general meeting, but subject to any rights or restrictions attached to any shares, on a show of hands every member present in person or by proxy (or being a corporation present by a duly authorised representative) shall have one vote, and 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. Regulation 54 shall not apply.

General Meetings

8 Extraordinary General Meetings

Any general meeting of the Company other than an Annual General Meeting shall be called an Extraordinary General Meeting.

9 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 Companies Acts.

10 Convening of Extraordinary General Meetings

The Board may convene an Extraordinary General Meeting whenever it thinks fit.

Notice of General Meetings

11 Length of Notice

An Annual General Meeting, and an Extraordinary General Meeting at which it is proposed to pass a special resolution or a resolution appointing a person as a Director, shall be convened by not less than twenty-one clear days' notice in writing. All other Extraordinary General Meetings shall be convened by not less than fourteen clear days' notice in writing. The notice shall specify the place, day and time of the meeting, and the general nature of the business to be transacted. Notice of every general meeting shall be given to all Members and also to the Auditors or, if more than one, each of them.

Notwithstanding that a meeting of the Company is convened by shorter notice than that specified in this Article, it shall be deemed to have been properly convened if it is so agreed.

- (a) in the case of an Annual General Meeting, by all the Members entitled to attend and vote at the meeting; and
- (b) in the case of any other meeting, by at least 95 per cent of the Members entitled to attend and vote at the meeting.

12 Omission or Non-Receipt of Notice

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send an instrument of proxy to, or the non-receipt of either or both by, any person entitled to receive the notice shall not invalidate the proceedings at that meeting.

13 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 by giving notice of such postponement not less than three clear days before the date previously specified for that meeting. Such notice shall specify the date, time and place of the postponed meeting. Notice of the business to be transacted at such postponed meeting shall not be required.

Proceedings at General Meetings

14 Quorum

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Save as otherwise provided by these Articles, four Members who are not also Directors present in person or by proxy and entitled to vote shall be a quorum for all purposes.

15 Procedure if Quorum Not Present

If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall stand adjourned to such other day (being not less than three nor more than twenty-eight days later) and at such time or place as may have been specified for the purpose in the notice convening the meeting or, if convened on the requisition of Members in accordance with the Companies Acts, shall be dissolved. Where no such arrangements have been so specified, the meeting shall stand adjourned to such other day (being not less than ten nor more than twenty-eight days later) and at such time or place as the chairman of the meeting may decide and, in this case, the Company shall give not less than seven clear days' notice in writing of the adjourned meeting. At any adjourned meeting two Members (whether or not also Directors) present in person or by proxy and entitled to vote shall be a quorum.

16 Security Arrangements

The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to, or to authorise some one or more persons who shall include a Director or the Secretary or the chairman of the meeting to, refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

17 Chairman of General Meeting

The chairman (if any) of the Board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor any deputy chairman is present within fifteen minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor any deputy chairman is willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the Members present and entitled to vote shall appoint one of their number to be chairman.

18 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.

19 Rights to Attend and Speak

The chairman may invite any person to attend and/or 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.