

MEMORANDUM and RULES

of the

TRANSPORT FRIENDLY SOCIETY LIMITED

Registered and incorporated under the Friendly Societies Act 1992

Register No 434F

REGISTERED OFFICE

9 Betterton Street
London WC2H 9BH

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MEMORANDUM

1. Name

The Society is an incorporated friendly society. It is called the Transport Friendly Society Limited, and is hereinafter referred to as "the Society".

2. Registered Office

The registered office of the Society is to be situated in England and Wales. The address of the registered office shall be 9 Betterton Street, London WC2H 9BH.

3. Purposes

(1) The purposes of the Society shall be the carrying on of the following classes of business or other activity. Any business or activity referred to below -

- (i) is to be carried on by the Society with a view to the provision for its members and such persons connected with its members as may be prescribed in the rules; and
- (ii) is to be funded by voluntary subscriptions from members of the Society, with or without donations.

A. Long term business of one or more of the following Classes:-

| No. | Description | Nature of Business |
|-----|------------------|--|
| I | Life and annuity | Effecting and carrying out contracts of insurance on human life or contracts to pay annuities on human life, but excluding (in each case) contracts within Class III below. |
| II | Marriage & birth | Effecting and carrying out contracts of insurance to provide a sum on marriage or on the birth of a child, being contracts expressed to be in effect for a period of more than one year. |
| III | Linked long term | Effecting and carrying out contracts of insurance on human life or contracts to pay annuities on human life where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuation in, or in an index of, the value of property of any description (whether or not so specified). |

- IV Permanent health Effecting and carrying out contracts of insurance providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that:
- (a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age for the persons concerned, or without limit of time, and
 - (b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.
- V Tontines Effecting and carrying out tontines.
- VI Capital Redemption Effecting and carrying out capital redemption contracts.
- VII Pension Fund Management Effecting and carrying out -
- (a) contracts to manage the investments of pension funds; or
 - (b) contracts of the kind mentioned in paragraph (a) above that are combined with contracts of insurance covering either conservation of capital or payment of a minimum interest.

General Business

- D. Activities carried out in accordance with the Society's rules (or with arrangements made under the rules) whereby discretionary benefits are provided:
- (a) for the education of any persons;
 - (b) for the relief or maintenance of any persons during sickness, when out of employment or when in distressed circumstances; or
 - (c) for the funeral expenses of any person;

but, save as may otherwise be provided from time to time by law, only to the extent that such activities do not constitute the carrying on of commercial business.

- (2) In addition to the purposes of paragraph (1) above, the purposes of the Society may include the carrying on of:
- (a) social or benevolent activities which are not inconsistent with the other purposes of the Society;
 - (b) group insurance business;
 - (c) reinsurance of risks by any other registered friendly society or any incorporated friendly society;
 - (d) forming subsidiaries, taking part with others in forming bodies corporate to be jointly controlled by the Society or acquiring control or joint control of bodies corporate, provided that the activities of such subsidiary or body corporate may not be disproportionate or unsuitable to the business of the Society and provided that the Society can ensure that any subsidiary, jointly controlled body or body corporate can be directed and managed with prudence integrity and adequate professional skill.

4. Powers

(1) Investment of Funds

The Society may invest its funds in accordance with Rule 37.

(2) Holding of Land (for purposes other than investment)

The Society may acquire and hold land -

- (i) for the purpose of carrying on any of its activities; or
- (ii) for the purpose of enabling a controlled body of the Society to conduct its business;

and may dispose of, or otherwise deal with, any land so held by it.

(3) Assistance to Controlled Bodies

The Society may provide its controlled bodies with any of the following services:-

- (i) loans of money, with or without security and whether or not at interest;
- (ii) the use of services or property, whether or not for payment;
- (iii) grants of money, whether or not repayable; and
- (iv) guarantees of the discharge of the liabilities of such controlled body.

The Society may make payments towards the discharge of the liabilities of any of the Society's controlled bodies.

(4) Loans to Assured Members

- (i) The Society may advance to a member of at least one full year's standing any sum not exceeding one half of the amount of an assurance of his life, on the written security of himself and two satisfactory sureties or, in Scotland, cautioners for repayment.
- (ii) The amount so advanced, with all interest on it, may be deducted from the sum assured, without prejudice in the meantime to the operation of the security.
- (iii) A person's membership of the Society before the society's incorporation is to be taken into account in calculating his standing for the purposes of this section.

(5) Investment of Funds in a Housing Association

The Society may invest funds of the Society in subscribing for any of the share or loan capital of a housing association (within the meaning of the Housing Associations Act 1985) other than shares or debentures not fully paid up at the time of issue.

(6) Accumulation of Surplus Contributions for use of Members

The Society may accumulate at interest, for the use of any member, any surplus of such member's contributions to the funds of the Society which may remain after providing for any assurance in respect of which they are paid and for the withdrawal of the accumulations.

(7) Subscriptions to Other Bodies

The Society may subscribe out of the funds of the Society to any hospital, infirmary, charitable or provident institution, any annual or other sum which may be necessary to secure to members of the Society and their families the benefit of that institution.

(8) Contributions to and Government of Other Friendly Societies

The Society may contribute to the funds and take part in the government of any friendly society.

(9) Incidental Powers

The Society shall, subject to the provisions of the Act, its memorandum and its rules, have any other power which is incidental or conducive to the carrying out of its purposes.

5. Limitation of Liabilities of Members

- (1) The liability of a member of the Society is limited to the amount of any subscription to the Society which is outstanding.
- (2) No subscription of a member of the Society shall be recoverable at law except on the winding up of the Society.

RULES

Interpretation

In these rules, unless the contrary intention appears:

- (1) words denoting the masculine gender shall be deemed to include the feminine;
- (2) words in the singular shall include the plural and words in the plural shall include the singular;
- (3) "the Act" means the Friendly Societies Act 1992, and any Acts amending or substituted for it and for the time being in force;
- (4) (i) "appropriate actuary" has the meaning given by s.119 of the Act and shall include an Actuarial Function Holder and With-Profits Actuary;
(ii) "Actuarial Function Holder" and "With-Profits Actuary" have the meaning in the Rules and Guidance Notes issued by the Financial Services Authority;
(iii) "Rules and Guidance Notes issued by the Financial Services Authority" shall include any that are issued by a successor body to the Financial Services Authority defined in sub clause (5) below;
- (5) "Financial Services Authority" means the Financial Services Authority of the United Kingdom;
- (6) "the Financial Services and Markets Act" means the Financial Services and Markets Act 2000, and any Acts amending or substituted for it and for the time being in force;
- (7) "special resolution" has the meaning given by paragraph 7 of schedule 12 to the Act;
- (8) "controlled body" means a body corporate in respect of which the society has control or joint control within the meaning of s.13 of the Act.
- (9) "Eligible Employment" means employment by the Society or any company or firm which has been approved for these purposes by the Board. The Board shall only approve employers which provide or are associated with the provision of passenger transport facilities;
- (10) "Officer" means a Member of the Board of Management, Chief Executive and Secretary.
- (11) except in paragraph (12) below, "partner" means a person who has been cohabiting with a member for a minimum of two years.
- (12) the "spouse" of a member means the member's wife, husband, or civil partner under the Civil Partnership Act.
- (13) "marriage" shall mean marriage or registration of a civil partnership in accordance with the Civil Partnership Act.
- (14) "Civil Partnership Act" means the Civil Partnership Act 2004 and any Acts amending or substituted for it and for the time being in force.

1. Membership

- (1) Membership of the Society shall be open to -
 - (a) individuals over the age of 16 years in Eligible Employment on date of first application for membership,
 - (b) spouses or partners over the age of 16 years of members in respect of the Death Benefit and Endowment Sections only, and
 - (c) children and stepchildren, under the age of 16 years at entry, of members or individuals in Eligible Employment in respect of the Endowment Section, and
 - (d) any individual in respect of the Society's Child Trust Fund

subject to the approval of the Board.
- (2) The Society shall have six separate Sections, as follows:-
 - (a) Death Benefit Section
 - (b) Endowment Section
 - (c) Sick Section
 - (d) General and Distress Section
 - (e) Hospitalisation Section

Closed Section

 - (f) Provident Section
- (3) The Board may, with the approval of the appropriate actuary, open such other Sections as are considered appropriate.
- (4) Applications for membership shall be made on the appropriate form approved by the Board and supplied for this purpose. Membership of any of Sections (a), (b), and (c) of (2) above shall include membership of Section (d) except that membership of the Junior sub-section of Section (b) shall not confer membership of Section (d). Only members of (c) shall be eligible for membership of (e). In respect of members admitted to the Society prior to 1 January 1996 membership of Section (a) is compulsory and inclusive of membership of Section (d).
- (5) Membership of the Closed Section is limited to members of the Provident Section of the Society as at 1 January 1996.
- (6) A member who is a minor may, if he is over 16 years of age, by himself, or if he is under that age, by his parent or guardian, execute all instruments and give all receipts necessary to be executed or given under the rules of the Society, but shall not vote or hold any office in the Society, and may not nominate, or join in nominating, a person for election as a member of the Board, or as Secretary of the Society.

2. Register of Names and Addresses of Members

- (1) The Society shall maintain a register of the names and addresses of the members of the Society.
- (2) The register shall be kept at the registered office of the Society or at such other place or places as the Board thinks fit.
- (3) The Society need not enter in the register the address of a member who became a member before the incorporation of the Society while it has no address for him and his whereabouts are unknown.
- (4) Where it appears to the Society that the address shown in the register for a member is no longer current, the Society -
 - (a) may remove that address from the register; and
 - (b) need not enter in the register an address for that member while it has no address for him and his whereabouts are unknown.

3. Contributions and Benefits

The terms on which members of the Society shall pay contributions and/or receive benefits shall be determined by the Board acting on the advice of the appropriate actuary and set out in one or more Tables. Such contributions shall be dealt with in accordance with Rule 36.

Copies of the Tables shall be available free of charge to members of the Society at the registered office and will be sent free of charge to any member on request.

After the date of incorporation of the Society, all new members and existing members effecting new benefits shall receive a policy document which shall include extracts from the appropriate Table pertinent to the member. This policy document shall form the basis of the contract between the member and the Society.

Members of the Society prior to the date of incorporation shall continue to pay contributions and receive benefits on the basis of the Tables applicable prior to incorporation. These Tables shall be closed to new business from the date of incorporation of the Society.

The Society's Tables may be amended for new members and members taking out additional benefits by the Board acting on the advice of the appropriate actuary. No amendment may be made which would adversely affect the existing rights of any member without his consent.

4. Surpluses and Bonuses

Distribution of surplus and bonuses shall be determined by the Board upon the advice of the appropriate actuary.

5. Reinsurance of Risks

The Society may effect and carry out contracts of reinsurance which -

- (a) are insured or to be insured by any other registered or incorporated friendly society, and
- (b) are of a class or part of a class of insurance business which the Society is empowered to carry on.

to such extent or in such circumstances as may from time to time be approved by the appropriate actuary of the risks against which persons are or are to be insured by the Society.

6. Disqualifications and Forfeitures of Membership

Any member, officer, or servant of the Society who misapplies the funds of the Society, or otherwise so misconducts himself as to cause loss to the Society, shall repay any loss so caused to the Society and may be expelled therefrom by the Board without prejudice to his liability to prosecution for such offence.

Any member who, for any of the purposes required in these rules, produces or causes or allows to be produced a false or fraudulent medical certificate which has in any way been altered, amended or defaced in any particular or detail, unless such alteration has been made and initialled by the doctor, may, on the offence being proved, be expelled from membership without prejudice to any criminal proceedings which may be decided upon.

Any member circulating or causing to be circulated any report detrimental to the Society or to the discredit of the members or officers of the Society shall be liable to expulsion unless he can prove the truth of the same.

7. Arrears

A period of grace of thirteen weeks from the due date of any premium will be allowed. The consequences of a premium remaining outstanding after the period of grace are set out in the relevant Tables and policy documents. In addition, entitlement to the Society's other benefits will cease.

8. Change of Residence

Any member of the Society changing his residence shall in every case give written notice to the Secretary within twenty-eight days thereof.

9. Claims and Benefits

- (1) Benefits will be payable in accordance with the relevant Tables and policy documents.
- (2) Whenever a claim for benefit is submitted, it must be accompanied by such evidence of validity as the Board may require.

10. Nominations

- (1) A member not under the age of 16 may nominate a person or persons to whom any sum of money payable by the Society on his death or any specified amount of money so payable shall be paid at his decease, but the total amount which may be so nominated shall not exceed £5,000 or such higher amount as, by virtue of an order under section 6 of the Administration of Estates (Small Payments) Act 1965, may for the time being apply for the purposes of the enactments specified in subsection (1) of that section.
- (2) All such nominations shall be made by writing, under the hand of the member, delivered at or sent to the registered office of the Society, or, made in a book kept at such office.
- (3) The person or persons so nominated must not at the date of the nomination be an officer or employee of the Society unless that officer or employee is the husband, wife, father, mother, child, brother, sister, nephew or niece of the nominator.
- (4) A nomination so made may be revoked or varied by any similar document, under the hand of the nominator, delivered, sent or made as aforesaid, but a nomination is not revoked by a subsequent will.
- (5) The marriage of a member shall operate as a revocation of any nomination previously made by him.
- (6) Nominations, revocations and variations may be in the forms appended to these rules.

11. Board of Management

- (1) The business of the Society and any business that the Society proposes to carry on shall be under the direction of a Board of Management (herein referred to as the "Board") consisting of not more than twelve nor (subject to the provision of rule 21(6)) fewer than five members and the Board may from time to time resolve the number who together shall constitute the Board within these limitations.
- (2) Subject to the provisions of the Act, the memorandum and these rules, and to any directions given by special resolution, the business of the Society shall be managed by the Board who may exercise all powers of the Society.
- (3) No alteration of the memorandum or rules and no direction as specified in (2) above shall invalidate any prior act of the Board which would have been valid if that amendment had not been made or that direction had not been given.
- (4) Without prejudice to the generality of the foregoing paragraphs (1), (2) and (3), the Board -
 - (a) shall ensure the direction and management of all affairs and business of the Society;
 - (i) by a sufficient number of persons fit and proper to be Directors or other Officers, in their respective positions;

- (ii) with prudence and integrity;
 - (iii) in the best interests of the members and in accordance with best practice; and
 - (iv) in accordance with the memorandum and these rules, and with the Act;
- (b) shall supervise the activities of any controlled body of the Society:
 - (c) may make, vary or revoke regulations for the conduct of business at its meetings, including, but not limited to:
 - (i) voting rights, including casting votes;
 - (ii) special meetings, and
 - (iii) minutes of meetings
 - (d) may pay out of the funds of the Society the expenses of the Society and such sums as the Board may deem necessary or expedient to be paid in the interests of the Society, but no Director (other than a holder of any executive office) shall receive any payment save as is authorised by these rules;
 - (e) may make, vary or revoke regulations for the conduct of all affairs and business of the Society, provided that the same are not inconsistent with the memorandum and these rules, and with the Act;
 - (f) may authorise the use of all forms, instruments and other documents that it may deem necessary for the proper conduct of the business of the Society.
- (5) The Board shall meet for business at least four times in each financial year and at such other times as it shall find necessary and one more than half the total number of the Board shall form a quorum.
 - (6) The validity of any proceedings or acts of the Board shall not be affected by any vacancy among the Members or by any defect in the appointment of a Member.

12. Eligibility and Election of the Board of Management

- (1) No individual shall be elected or appointed as a Director unless
 - (a) he will be less than 70 years of age at the date on which the election, or in the case of an appointment under rule 21, the appointment, would take effect, and
 - (b) (except where paragraph (1A) applies) he is in Eligible Employment or has retired therefrom, and
 - (c) (except where paragraph (1A) applies) he is a member of the Society of at least two year's standing, and
 - (d) he is not a minor, and

- (e) (except in the case of appointment under rule 21 or nomination under paragraph (4) below, or where a Director retires under rule 22), a form nominating him, signed by not less than 2 members who comply with the requirements of paragraph (3) below and addressed to the secretary, has been delivered at the Registered Office during the hours of public business of the Society at least three months prior to the date of the Annual General Meeting at which the vacancy in respect of which he is nominated is to be filled. The nomination form shall contain the full name, address, age and occupation of the person nominated, his consent to be so nominated, and the full names and addresses of the members proposing his nomination. The nomination form shall be dated with the date of its delivery at the Registered Office and that date shall be deemed to be the date of nomination for the purposes of paragraph (3) below.
- (1A) This paragraph applies where an individual does not satisfy the conditions of rule 12(1)(b) or 12(1)(c) or both, but would otherwise be eligible for election or appointment as a Director and the Board decides that his qualifications or experience would be of particular benefit to the Society were he to become a Director. Such individual shall then be eligible for election or appointment in accordance with these rules provided that no such election or appointment shall result in there being more than three Directors who do not satisfy the conditions of rules 12(1)(b) and 12(1)(c).
- (2) In exercise of its duties pursuant to rule 11(4)(a) the Board may require any individual nominated for election as a Director to supply in writing such forms as the Board may specify, evidence as to his qualifications, financial and managerial experience, creditworthiness, competence and character and to complete in draft any form or questionnaire that, if elected, he would be required to submit to any regulatory authority in accordance with the Act.
- (3) The requirements with which a member must comply in order to be eligible to nominate an individual as a Director are as follows-

 - (a) he must have been a member for not less than 2 years before the date of nomination; and
 - (b) he must not be in arrears with his contributions; and
 - (c) he must not be a minor at that date.
- (4) If a vacancy arises on the Board after the last day of the financial year and before the conclusion of the Annual General Meeting held in the succeeding financial year by reason of the death or disqualification of any retiring Director who was seeking re-election the Board may without giving notice under rule 26:

 - (a) nominate at the Annual General Meeting some other individual who is, at the date of that meeting, eligible for election as a Director in accordance with paragraph (1) above, provided that such individual shall be less than 70 years of age, to take the place of such retiring Director as a candidate for election and such Member shall be deemed to be a retiring Director, or

- (b) reduce the number of vacancies to be filled at the Annual General Meeting by one in respect of each such event and any remaining vacancy on the Board shall be and become a vacancy which the Board has power to fill under rule 21.
- (5) Where a person becomes or ceases to be a Member of the Board, the Society shall within one month give notice of that fact to the Financial Services Authority on the appropriate form published by the Financial Services Authority.

13. Appointment of Chairman and Vice-Chairman

- (1) At its first meeting after every Annual General Meeting the Board shall elect from its number a chairman and a vice-chairman who shall subject to paragraph (3) below, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless either shall cease in the meantime to be a Director or shall resign the office. The chairman shall preside at all meetings of the Board at which he is present and in the absence of the chairman the vice-chairman shall take his place.
- (2) If the chairman and the vice-chairman so elected shall both be absent from a meeting of the Board or shall both decline to act as chairman, the Directors present at that meeting shall elect a Director to be chairman for the purposes of that meeting.
- (3) The Board may at any time remove the chairman or the vice-chairman from office.
- (4) The Board shall fill from its number any casual vacancy (whether or not arising from the exercise of its power under paragraph (3) above) in the office of chairman or vice chairman and a chairman or vice chairman so elected shall, subject to paragraph (3) above, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless he shall cease in the meantime to be a Director or shall resign the office.

14. Remuneration and Expenses of Officers

- (1) The annual remuneration of the Officers as Members of the Board (exclusive of any remuneration paid in respect of executive duties) shall be paid at a rate to be determined by the Board from time to time. This remuneration shall be divisible among the Officers in such proportion as may be agreed among them by a majority decision and, in default of agreement, in equal shares.
- (2) In addition to such remuneration, any Officer may be paid such reasonable travelling, hotel and other expenses as he might incur while attending Society business with the approval of the Board. He may also, by resolution of the Board, be paid for professional or other work done by him on behalf of the Society in addition to his usual services as an Officer.

15. Validity of Acts

All acts done by the Board, or any committee, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the constitution of the Board or committee or in the election or re-election or appointment of any Director or committee member or person acting as aforesaid, or that any person was disqualified from holding office or was not entitled to vote, be as valid as if the Board or committee had been properly constituted and as if every such person had been duly elected or re-elected or appointed or entitled to vote and, where appropriate, was qualified and had been a Director or duly appointed member of such committee.

16. Offices of Profit

- (1) A Director may hold any office or place of profit with the Society (other than the office of auditor or valuer) simultaneously with his office of Director and may be appointed by the Board to an office or place of profit with any body corporate in which the Society is, or will be, interested.
- (2) A Director so appointed to an office or place of profit with a body corporate in accordance with paragraph (1) above shall disclose to the Board any benefit he derives from any such office or place in the financial year in which it is received.
- (3) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any office or place of profit with the Society or with any body corporate in which the Society is, or will be, interested or at which the terms of any such appointment are arranged. He may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms of that appointment.

17. Interest in Contracts

- (1) Subject to a Director's complying with the provisions for the time being of the Act that -
 - (a) require him to declare to the Board any direct or indirect interest he might have, or be treated as having in any contract to which the Society is a party;
 - (b) prohibit particular contracts;
 - (c) require a contract to be approved by a resolution of a general meeting or
 - (d) require him to furnish to the Society particulars of any related business,

he may enter into or be interested, whether directly or indirectly, in contracts with the Society and shall not be disqualified from office thereby, nor shall he be liable to account to the Society for any profit arising out of any such contract to which he is a party or in which he is interested by reason of his being at the same time a Director.

- (2) No Director may vote as a Director in regard to any contract, or proposal therefor, in which he is interested, whether directly or indirectly, or upon any matter arising out of it. If he shall so vote, his vote shall not be counted nor shall he be reckoned in estimating a quorum when any such contract, or proposal therefor, is under consideration.
- (3) Notwithstanding anything contained in this rule, the prohibition contained in the foregoing paragraph (2) may at any time or times be suspended or relaxed to any extent by resolution at a general meeting of the Society.
- (4) In this rule the term "contract" includes any transaction or arrangement. For the avoidance of doubt, the word "interest" in this rule does not include any interest a Director may have as a director of a controlled body of the Society.

18. Appointment of Officers, Employees and Others

- (1) The Society must have a Chief Executive and a Secretary, who may be the same person, who shall be appointed and whose appointment may be terminated by the Board. The Chief Executive may not hold the position of chairman.
- (2) The Chief Executive is responsible under the immediate authority of the Board for the conduct of the business of the Society and all employees of the Society shall be accountable to him for the performance of their duties.
- (3) The Board shall take all reasonable steps to secure that the person appointed as Chief Executive has the requisite knowledge and experience to discharge the functions of his office.
- (4) Where a person becomes or ceases to be the Chief Executive or the Secretary, the Society shall within one month give notice of that fact to the Financial Services Authority on the appropriate form published by the Financial Services Authority.
- (5) The Society shall have a President and a Vice-President, who shall be elected at the Annual General Meeting of the Society. They shall be admitted to all meetings of the Board and committees, and shall be at liberty to take part in the proceedings thereof, but shall not be entitled to vote on any question under discussion at such meetings.
- (6) The Board may also -
 - (a) appoint and terminate the appointment of (or delegate these appointment and termination powers in respect of) such employees, advisers and agents as the Board may at any time determine;

- (b) appoint under this rule more than one person to any office or place with the exception of the offices of Chief Executive and Secretary

and may require from any person appointed under this rule such guarantees as in its judgement shall appear necessary.

- (7) The powers and duties of persons appointed under this rule shall be those given them from time to time by the Board which may pay them such salaries, wages, commissions and bonuses, compensation for loss of office or of employment, fees and other remuneration as it may consider desirable.
- (8) The Board shall ensure that only persons who are duly authorised carry out regulated activities within the meaning of the Financial Services and Markets Act and shall within 7 working days inform the Financial Services Authority when an authorised person ceases to carry out any regulated activities.

19. Indemnity to Directors, Officers and Employees

- (1) Every Director, every other Officer and every employee of the Society shall be indemnified by the Society against any liability in respect of losses, costs, charges, damages and expenses which might arise from, or in the course of, his duties, but not against any such liability as, by virtue of any rule of law or of the Act, would attach to him in respect of any negligence, default, breach of duty or breach of trust of which he might be guilty in relation to the Society. He shall, however, be indemnified against any liability incurred by him in defending any proceedings whatsoever, whether civil or criminal, arising out of his duties in relation to the Society in which judgement is given in his favour or in which he is acquitted.
- (2) The Society may take out a policy of insurance to cover any such indemnity or liability as is mentioned in paragraph (1) above.

20. Vacation of Office and Disqualification

- (1) A Director shall cease to hold office -
 - (a) if he resigns his office by notice in writing to the Secretary;
 - (b) if he takes up a permanent residence outside the United Kingdom;
 - (c) if he is requested in writing by all his co-Directors to resign and a resolution that he has vacated office is thereafter passed at a meeting of the Board by a majority of the Members of the full Board;
 - (d) if for more than six consecutive months he absents himself without permission of the Board from meetings of the Board held during that period and the Board passes a resolution that he has vacated office;

- (e) if he becomes bankrupt or is subject to sequestration;
 - (f) if he is, or might be, suffering from mental disorder and either
 - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the provisions of the Mental Health Act 1983 or he is admitted to hospital under the provisions of the Mental Health (Scotland) Act 1984 or the provisions of the Mental Health Act (Northern Ireland) 1961, 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;
 - (g) upon a resolution of which notice has been given under rule 26 that he shall cease to be a Director passed by two-thirds of the votes cast on a poll at a general meeting;
 - (h) if, whilst a Director of the Society and without the prior consent of his co-Directors, he accepts the office of a director in any other organisation, company or body deemed by the Board to be in direct competition with the business of the Society;
 - (i) upon the conclusion of the Annual General Meeting next following the date at which he attains 70 years of age or, if applicable, ceases to be in Eligible Employment for reasons other than retirement;
 - (j) if he becomes prohibited by law from being a Director;
 - (k) if he contravenes rule 17(1) by knowingly or recklessly failing to declare an interest and the Board passes a resolution that he has vacated office.
- (2) The Secretary shall give not less than 14 clear days' notice in writing to all Directors of a meeting of the Board at which it is intended to move a resolution that a Director has vacated office. The notice shall set out the proposed resolution and, if all the requirements of this paragraph are not complied with, the resolution, even if passed, shall be of no effect. The provisions of Rule 43 shall be deemed to apply to any such notice.

21. Filling of Casual Vacancies

- (1) In the case of any vacancy may at any time, and from time to time, appoint an individual as a Director in order to fill such a vacancy.
- (2) If the Board resolves to increase the number of Members of the Board within the limitations prescribed by rule 11(1), the Board may appoint an individual as an additional Member in order to fill any vacancy.

- (3) The Board shall appoint under this rule only an individual who -
 - (a) appears to it to be fit and proper to be a Member, and
 - (b) is qualified under rule 12(1) (as far as that rule is applicable).
- (4) A Director appointed under this rule shall hold office until the conclusion of the Annual General Meeting next following such appointment or, if earlier, the expiration of the period of 16 months beginning with the date of his appointment.
- (5) A Director appointed under this rule and retiring under paragraph (4) above shall be eligible for election without nomination, provided that he is qualified under rule 12(1) at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date, and he shall be a retiring Director for the purposes of rule 22(3).
- (6) Notwithstanding any vacancies on the Board, the remaining Directors may continue to act. If at any time the number of Directors falls below the minimum prescribed by rule 11, the Board so constituted, although its Members are insufficient to form a quorum, may act by a majority of its members for a maximum period of 6 months but the chairman shall, notwithstanding any regulation under rule 11(4)(c) not have a second or casting vote.

22. Retirement by Rotation

- (1) In addition to any Director retiring under rule 20(1)(i) or 21(4), all those of the other Directors who have not been elected or re-elected at either of the last two Annual General Meetings shall retire from office at the Annual General Meetings in each year.
- (1A) In addition to any Directors retiring under rule 20(1)(i), 21(4), or 22(1), all those of the other Directors who have served 9 years or more as a Director, continuously or otherwise, shall retire from office at the Annual General Meeting in each year.
- (2) A Director retiring under this rule shall be eligible for re-election without nomination provided he is qualified under rule 12(1) at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date and he shall retain office until the conclusion of that meeting.
- (3) Elections of Directors shall be conducted at the Annual General Meeting of the Society. If at such a meeting there is a contest for the office of Director in that the number of candidates for election or re-election to the Board [including Directors retiring under this rule and rule 21(4)] exceeds the number of vacancies thereon, the vacancies shall be filled by those candidates obtaining the most votes. The vote shall be taken on a poll, which shall be deemed to have been demanded by the chairman. The following provisions of the rules shall apply to such poll:
 - (i) the voting papers shall include the number of vacancies on the Board and the full names of all the candidates;
 - (ii) subject to paragraph (i) above, the Board may prescribe or approve the form of the voting paper and may include such other declarations and denoting of retiring Directors as it thinks fit;

- (iii) the voting shall be effected by the placing of an X after the names of the candidates for whom the votes are to be cast;
 - (iv) the voting papers shall be void if a member votes for more candidates than there are vacancies to be filled;
 - (v) each member shall have one vote in respect of each vacancy to be filled, and
 - (vi) no member shall be required to cast all or any of the votes given him by (v) above.
- (4) If at an Annual General Meeting there is no contest for the office of Director, then
- (a) any member both eligible for election and nominated under either paragraph (1), (1A) or (4) of rule 12 shall be deemed to have been elected, and
 - (b) any retiring Director offering himself for election or re-election who is qualified under rule 12(1) or 12(1A) at the meeting and is then not ineligible by reason of his age shall be deemed to have been elected or re-elected unless a resolution that he shall cease to be a Director, of which notice has been given under rule 26(6)(b), shall be passed by two-thirds of the votes cast on a poll.

23. Pension and Other Schemes and Funds

- (1) In this rule the term "Officers" excludes any Director who does not hold or has not held any executive position in the Society in addition to that of Director.
- (2) The Board may from the Society's resources and on such terms as it thinks fit provide, establish, maintain and administer pension, life assurance, sickness, annuity and other funds or schemes (whether contributory or not) for the benefit of:
 - (a) past, present or future Officers and employees of the Society;
 - (b) past and present Officers and employees of any society with which the Society merges in the future;
 - (c) the spouses, children and dependants of persons referred to in subparagraphs (a) or (b) hereof.
- (3) In addition to the powers aforesaid the Board may grant on such terms as it thinks fit other pensions, allowances, gratuities, donations and bonuses to or for the benefit of:-
 - (a) past or present Officers and employees of the Society;

- (b) past Officers and employees of a society with which the Society has merged;
 - (c) any spouses, children or dependants of such Officers and employees mentioned in (a) or (b) hereof.
- (4) The Board may make, vary and revoke the rules of any such fund or scheme as is mentioned in paragraph (2) (to such extent as this power is not thereby prohibited, or is found permissible) and may constitute any trust and may from time to time at its discretion exercise any powers reserved to the Society by the terms of any trust constituted by the Society including the power of modifying or discontinuing the terms of any such trust or any rules or regulations that may be or may have been made pursuant thereto.

24. Annual General Meetings

- (1) The Society shall hold an Annual General Meeting in each financial year, at such hour, date and place as the Board shall determine.
- (2) Not more than 15 months shall elapse between the date of one annual general meeting and that of the next.
- (3) If the Society holds its first annual general meeting within 18 months of its incorporation, it need not hold it in the year of its incorporation or in the following year.
- (4) The Board shall lay before the members at the Annual General Meeting the Annual Accounts of the Society for the last financial year before the date of that meeting, and shall also submit to them a report by the Board (called in these Rules "the Board's Report") on the business of the Society, which Board's Report shall include the information required by or under the Act and details of any bonuses determined by the Board in accordance with rule 4.
- (5) The notice of the Annual General Meeting shall state that a copy of the Annual Accounts is available to each member upon application to the Registered Office of the Society.
- (6) In these Rules "Annual Accounts" means the classes of document (including the notes to them) the Society is required (unless otherwise exempted) by or under the Act to prepare by way of accounts for itself individually and, if it has controlled bodies, by way of group accounts for itself and those controlled bodies.
- (7) The report of the auditors on -
 - (a) the Annual Accounts laid before the Annual General Meeting, and
 - (b) the Board's Report
 shall be laid before that meeting and shall be available for inspection by any member.

- (8) No business shall be transacted at an Annual General Meeting, and no resolution shall be brought forward at any such meeting, except as may arise upon -
- (a) the annual accounts laid before the meeting;
 - (b) the Board's Report submitted to the meeting;
 - (c) the report of the auditors on the documents listed in (a) and (b) above;
 - (d) the election and re-election of Directors;
 - (e) the appointment or re-appointment of auditors;
 - (f) a motion for a resolution contained in a Members' Notice received by the Society in accordance with the provisions of rule 26, and
 - (g) business (including a motion for a resolution, whether special or ordinary, or a motion to add to, alter or rescind any of these rules) brought before the meeting by the Board.

25. Special General Meetings

- (1) All general meetings other than Annual General Meetings shall be called special general meetings.
- (2) The Board may, whenever it thinks fit, convene a special general meeting.
- (3) The Board shall convene a special general meeting on the requisition of not less than 100 members qualified under paragraph (7) below. The requisition shall state the objects of the meeting (which must not however include the election of a Director) and shall be signed by the requisitioners and deposited at the Registered Office and may consist of several documents in like form each signed by one or more requisitioners. A deposit of £20 in respect of each requisitioner signing the requisition shall be lodged with it. If within half an hour after the time appointed for the meeting a quorum is not present, all such deposits shall be forfeited but if a quorum is present the members present and entitled to a vote at the meeting shall decide whether the deposits shall be appropriated either wholly or in part towards the expenses of convening and holding the meeting and to any extent to which the deposits are not so appropriated they shall be returned by the Society to the requisitioners equally.

- (4) If the Board does not within 28 days after the date of deposit of the sole requisition, or the date of deposit of the last requisition sufficient to comply with the requirements of paragraph (3) above, proceed to give notice convening a meeting to be held within 63 days after that date, the requisitioners or any proportion of them exceeding one-half may themselves convene a special general meeting. Any meeting so convened shall not be held after the expiration of five months from the date of the deposit of the sole or last requisition. The meeting so convened by the requisitioners shall be convened in the same manner, as nearly as possible, as that in which meetings are convened by the Board and notice of the meeting shall be given in the same manner as that in which notice is given of meetings convened by the Board. Any reasonable expenses incurred by the requisitioners by reason of the failure of the Board duly to convene a meeting shall be paid to those requisitioners by the Society. Any sum so paid shall be recovered by the Society from the defaulting members of the Board (whether by way of retention of fees or other remuneration in respect of services, or otherwise). The Board or, as the case may be, the requisitioners, shall give the members notice of any resolution the requisitioners propose to move at the meeting at the same time and in the same manner as notice is given of the meeting.
- (5) No business shall be entertained at any special general meeting except such as shall be stated in the notice convening the meeting.
- (6) Except where the requisitioners themselves convene a special general meeting under paragraph (4) of this rule, special general meetings shall be held at such hour, date and place as the Board shall determine.
- (7) A member shall be qualified for the purposes of paragraph (3) above if he -
 - (a) has been a member of the Society for a continuous period of not less than two years prior to the date of the requisition, and
 - (b) is a person entitled to vote at a general meeting of the Society on the date of the requisition.

26. Notice of Meetings

- (1) At least 14 days' notice shall be given to members, expiring with the final date for the receipt of proxies under rule 31, in writing of every general meeting (whether an Annual General Meeting or a special general meeting) specifying the hour, date and place of the meeting as provided in paragraph (5) hereof.
- (2) The notice shall specify -
 - (a) the nature of any resolution to be moved at the meeting and of the other business to be transacted thereat, and
 - (b) the full name of each candidate for the office of member of the Board, or auditor, unless the nomination has been made, or in the case of an auditor his nomination has been received, too late for his candidature to be included in, or to accompany, the notice.

- (3) The notice shall state that -
 - (a) a member entitled to attend and vote may appoint one proxy to attend and, on a poll, vote at the meeting instead of him; and
 - (b) the proxy need not be a member of the Society; and
 - (c) the member may direct the proxy how to vote at the meeting.
- (4) The Annual General Meeting shall be described as such in the notice of meeting and the information prescribed by rule 24(4) shall be given.
- (5) Notice of a meeting shall be given by means of an advertisement inserted in at least one national newspaper and may additionally be given in such other form as the Board may deem appropriate other than the giving of individual notices.
- (6) For the purposes of the following paragraphs of this rule the following expressions shall have the following meanings -
 - (a) "Requisite Number" means 25, and
 - (b) "Members' Notice" means a notice given to the Society in writing (whether in one or more documents) by at least the Requisite Number of members, of their intention to have moved on their behalf at an Annual General Meeting a resolution that is specified in the notice and is either a Special Resolution or an ordinary resolution.
- (7) If the Society receives a Members' Notice, (subject to paragraphs (8) and (9) below) the Board shall -
 - (a) include in the notice of the Annual General Meeting a notice specifying the intention of those members moving it to have the resolution moved on their behalf at that meeting and, if applicable, the intention to move it as a Special Resolution and
 - (b) at the request of the members intending to have the resolution moved on their behalf, include in the notice of that meeting a copy of any statement of not more than 100 words with respect to the matter referred to in the resolution.
- (8) The Board shall be under no duty -
 - (a) to include a Members' Notice in the notice of the Annual General Meeting or

- (b) to include such a statement as is mentioned in paragraph (7)(b) above
- if -
- (i) the Members' Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph (6)(b) above) and, if submitted, any statement given (of the kind mentioned in paragraph 7(b) above) are given to or lodged with the Society later than the last day of the financial year preceding that in which the Annual General Meeting at which it is intended to move the resolution is held; or
 - (ii) the resolution specified in the Members' Notice and, if lodged, any such statement does not relate directly to the affairs of the Society; or
 - (iii) the rights conferred by paragraph (7) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes; or
 - (iv) the resolution specified in the Members' Notice is in substantially the same terms as any resolution that has been defeated at a meeting during the period beginning with the third Annual General Meeting before the date on which the Members' Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph (6)(b) above) is given to the Society.
- (9) If it is not practicable for any reason to include in the Notice of the Annual General Meeting a Notice given by members in accordance with paragraph 6(b) above, such Notice together with any statement lodged in accordance with that paragraph shall be communicated in the same manner as the Notice of the Meeting as soon as practicable.

27. Quorum at Meetings

- (1) No business shall be considered at any Annual General Meeting or special general meeting unless a quorum is present at the time when the meeting proceeds to business and a quorum shall be constituted for all purposes by 25 members present or represented and entitled to vote.
- (2) If no quorum shall be present within half an hour after the time appointed for the Annual General Meeting or special general meeting, or if during such meeting a quorum ceases to be present, the chairman of the meeting shall adjourn it to such hour, date and place as he shall direct, unless it is a special general meeting requisitioned under Rule 25(3) or (4) whereupon the Chairman of the meeting shall dissolve it.

28. Procedures at General Meetings

- (1) At every general meeting of the Society, the President or the Vice-President, or in their absence, the Chairman of the Board or, in his absence, the Vice-Chairman of the Board shall preside. If no such officer is present within fifteen minutes after the time appointed for the meeting or if all such officers who are present are unwilling to act, the Directors present shall elect one of their number to be chairman of the meeting. If at any meeting no Director or President or Vice-President is willing to act as chairman, or if no Director or President or Vice-President is present within fifteen minutes after the time appointed for the meeting, the members present and entitled under rule 25 above to be included in the quorum for the meeting shall choose one of their number who is present to be the chairman of the meeting.
- (2) The chairman of the meeting may, notwithstanding the presence of a quorum (and shall, if so directed by a resolution of the meeting), adjourn the meeting from time to time and from place to place, but except as provided in paragraph (10) of this rule no business shall be transacted at any adjourned meeting other than the business left unfinished or not reached at the meeting from which the adjournment took place.
- (3) Every adjourned meeting shall be deemed a continuation of the original meeting and any resolution passed at an adjourned meeting shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have passed on any earlier date.
- (4) When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting but otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- (5) Subject to the Act and these rules every question submitted to an Annual General Meeting or special general meeting shall be decided by a simple majority and such votes shall be taken in the first instance by a show of hands.
- (6) A poll may (before or on the declaration of the result of the show of hands) be demanded by -
 - (a) the chairman of the meeting, or
 - (b) 10 members who are entitled to vote at the meeting and are present in person, by proxy, by attorney, by representative or by a person specified in rule 29(4).

and in the event of such a demand, a poll shall be taken in accordance with paragraph (10) of this rule, but no poll shall be permitted upon a resolution to appoint a chairman or as to whether the meeting should be adjourned.

- (7) Unless a poll be so demanded, a declaration by the chairman that a resolution on a show of hands 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, such resolution.
- (8) If a motion for a Special Resolution is to be put to the vote of the meeting or there is a contest for the office or appointment of a member of the Board or auditor, a poll shall be deemed to have been demanded by the chairman.
- (9) Except in the case of a motion for a Special Resolution or of a contest for the office or appointment of Director or auditor, 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.
- (10) If a poll is duly demanded in accordance with paragraph (6), it shall be taken at the meeting at which it is demanded or, if the chairman so decides, at an adjourned meeting and in either case in such manner, subject to paragraph (12) below, as the chairman directs and the result of the poll shall, notwithstanding paragraph (3) of this rule, be deemed to be the resolution of the meeting or adjourned meeting at which the poll was taken. The chairman may, in the event of a poll, appoint the scrutineers (who need not be members of the Society) and may adjourn the meeting or adjourned meeting to some hour, date and place fixed by him for the purpose of declaring the result of the poll.
- (11) A poll demanded on any other question shall not prevent the continuance of a meeting for the transaction of any business other than that upon which the poll has been demanded.
- (12) Voting papers to be used on a poll shall be valid only if they are issued by the Society.

29. Entitlement of Members to Vote on Resolutions

- (1) Every member present (and not disqualified by arrears or otherwise as mentioned in these rules) shall have one vote, and when the votes are equal the then presiding officer shall have an additional or casting vote. Votes may be given by proxy and as provided in paragraphs (2) and (3) of this rule.
- (2) The holder of a power of attorney from a person who is a member and who would, if present, be entitled to vote under paragraph (1) above shall, if the power of attorney is duly registered at the Registered Office and if the power has the effect of authorising the holder to exercise the right of the member under the rules, be entitled to vote in all circumstances as if he were a member and in the member's stead but he shall not be entitled to appoint a proxy or an attorney.

- (3) A member who would, if present, be entitled to vote under paragraph (1) above, and 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, by his receiver, curator bonis or other representative in that behalf appointed by that court. Any such receiver, curator bonis or other representative may vote either on a show of hands or on a poll, and if on a poll, may 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 Registered Office not less than 2 clear days before the day 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.
- (4) The right to vote shall be limited to those persons on whom this rule confers a right to vote (subject to rule 31).

30. Postal Ballots

The Society does not make provision for postal ballots under any circumstances.

31. Appointment of Proxies

- (1) A member entitled to attend and vote at a meeting of the Society -
 - (a) may appoint one person (whether a member or not) as his proxy to attend and, on a poll, to vote at the meeting instead of him, and
 - (b) may direct the proxy how to vote at the meeting.
- (2) The instrument appointing a proxy or a representative shall be deposited at the Registered Office not less than 48 hours before the day appointed for holding the meeting, or adjourned meeting, and in default the instrument shall not be treated as valid.
- (3) An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit -

"I
of

hereby appoint the chairman of the meeting

or, failing him
of

as my proxy to attend and vote in my name on my behalf at the meeting of the Society to be held on the

..... day of 20 .. , and at any adjournment thereof.

Unless instructed to vote for or against the resolution(s) (as set out in the notice convening the meeting) by the placing of an X in the box(es) below, the proxy will abstain or vote at his discretion.

| Resolution Number | For | Against | Abstain |
|-------------------|-----|---------|---------|
| | | | |

Dated this day of 20 ..

Signature "

- (4) The Society may add to any instrument issued by it in the form set out in paragraph (3) above any explanatory notes it may think fit to assist appointers.
- (5) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll but, save as by this paragraph provided, a proxy shall have no right to speak at the meeting.
- (6) If a member who, at the final date for the receipt of proxy instruments determined under paragraph (2) above, is entitled to attend and vote at the meeting appoints a person as a proxy to vote instead of him at that meeting and then ceases after that date to be so entitled, that person may notwithstanding rule 26(2) act as the member's proxy at that meeting.
- (7) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding -
 - (a) the previous death or mental disorder of the appointer or revocation of the proxy or of the authority under which the proxy was executed, provided that no intimation in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the Society at its Registered Office before the commencement of the meeting or adjourned meeting at which the proxy is used;
 - (b) that since the last date specified for the deposit of instruments of proxy the appointer has ceased to be entitled to attend and vote at the meeting.

32. Accounts, Systems of Control

- (1) The Board shall cause accounting records of the Society to be kept, in accordance with the Act and establish and maintain systems of control of its business and records and of inspection and report, in accordance with the Handbook of Rules of the Financial Services Authority.
- (2) The Board shall cause to be maintained separate accounts for, and which identify the separate assets of, any controlled bodies.
- (3) The Board shall, before 1st July in each financial year, make and send to the Financial Services Authority a statement of their opinion whether the requirements of the Interim Prudential Sourcebook, Friendly Societies of the Financial Services Authority or such Prudential Sourcebook which replaces it have been complied with in respect of the last financial year by the Society such statement to be signed by the Chairman on behalf of the Board and by the Chief Executive
- (4) The Board shall in each financial year, not later than 30th June or 14 days before the Annual General Meeting, whichever is earlier, send two copies to the Financial Services Authority of the Annual Accounts for the last financial year, the Board's report for that year and the auditors' report on those accounts.
- (5) The Secretary shall, as from the date by which at the latest the Board is required by paragraph (3) above to send them to the Financial Services Authority, supply free of charge to every member on demand copies of the Annual Accounts for the last financial year, the Board's report for that year and the auditors' report on those accounts, and he shall ensure that copies of such documents are also made available at every office of the Society.

33. Inspection of Records

The Board shall make the records of the Society available for inspection by any member or person having an interest in the funds of the Society at all reasonable hours, at the registered office of the Society, or at any place where the records are kept, and it shall be the duty of the Secretary to produce the same accordingly. But such member or person shall not, unless he is an officer of the Society, or is specially authorised by a resolution of the Society to do so, have access to personal information in respect of any other member (other than information contained in register of members) without the written consent of that member.

34. Auditors

- (1) At each Annual General Meeting the Society shall appoint an auditor to audit its annual accounts who is a person eligible for appointment as auditor of a friendly society. An individual or a firm may be appointed as auditor. The Society shall, within one week of the date of the meeting, notify the Financial Services Authority if no auditor has been appointed or re-appointed.

- (2) For the purpose of this rule a person is eligible for appointment as an auditor of a friendly society who is a member of any of the supervisory bodies recognised under the Companies Act 1989 and is not ineligible for appointment under the rules of that body. None of the following shall be appointed as auditor of the Society;
- (a) an officer or employee of the Society, or
 - (b) a partner or an employee of such a person or a partnership of which such a person is a partner, or
 - (c) a person who has, or whose associates have, connections with the Society, or
 - (d) a person who is ineligible by virtue of section 27(1)(a) or (b) of the Companies Act 1989.
- (3) The Board may appoint an auditor to fill any casual vacancy occurring between general meetings of the Society.
- (4) The remuneration including any sums in respect of expenses, to be paid to the auditor shall be fixed by the Board or in such manner as the Society shall determine at a general meeting.
- (5) The Society may by ordinary resolution in general meeting remove an auditor before expiration of his term of office, and notice of such resolution shall be sent, within 14 days, by the secretary to the Financial Services Authority. A resolution at an Annual General Meeting or a special general meeting of the Society:
- (i) removing an auditor before the expiration of his term of office or
 - (ii) appointing another person as auditor in place of a retiring auditor
- shall not be effective unless notice of the intention to move it has been given to the Secretary not less than 28 days before the meeting at which it is moved. On receipt of notice of intention to move any such resolution the secretary shall give notice of the resolution to the members and to the person proposed to be removed or, as the case may be, to the person to be appointed and to the retiring auditor. The Secretary shall, unless on application the court directs otherwise, also inform the members of any representations made by the person proposed to be removed or, as the case may be, the retiring auditor, and shall make copies of the representations available at the meeting at which the resolution is to be moved.
- (6) Where the Society receives from an auditor a written notice of his resignation of office, the secretary shall, within 14 days, send a copy of that notice to the Financial Services Authority.
- (7) Where the Society receives from an auditor, on cessation of his office, a statement of any circumstances which he considers should be brought to the attention of the members and creditors of the Society, the Secretary shall, unless on application the court directs otherwise, send a copy of such statement to the members.

- (8) Where the auditor, with a notice referred to in paragraph (6) above, requisitions the convening of a special general meeting of the society for the purpose of considering an explanation of the circumstances connected with his resignation, the Secretary shall within 21 days convene such a meeting for a day not more than 28 days after the date on which notice of the meeting is given and the society will, unless on application the Court directs otherwise, comply with the requirements set out in paragraph 13 of Schedule 14 to the Act.

35. Actuary and Valuations

- (1) The Society shall have an Actuarial Function Holder and in addition a With-Profits Actuary (which posts may be held by the same person) who shall be appointed and whose appointments may be terminated by the Board and whose functions will be determined by the Board in accordance with legislation, the requirements of the Financial Services Authority and relevant guidance. The Board shall notify the Financial Services Authority of all appointments and changes.
- (2) (a) At least annually the Board shall arrange for the Actuarial Function Holder to conduct an investigation and report on the financial condition of the Society in respect of its long term business.
- (b) At least annually the Board shall arrange for the With-Profits Actuary to investigate and report on its long term With-Profits business.
- (c) Such investigations shall be in accordance with legislation, the requirements of the Financial Services Authority and relevant guidance. The Board shall comply with legislation, the requirements of the Financial Services Authority and relevant guidance in relation to actuarial valuations, investigations and reports.
- (3) The Society shall keep adequate records to enable the Actuarial Function Holder and the With-Profits Actuary to conduct such investigations and reports.

36. Application of Funds

- (1) All moneys received on account of contributions in accordance with the Society's Tables and policy documents, or on account of levies, donations or otherwise, shall be applied in carrying out the purposes of the Society in accordance with the rules.
- (2) The Society shall have the following separate funds, namely: Insurance Business Fund, General and Distress Fund, Management Fund, and such other Funds as the Board may from time to time determine. Each Fund shall consist of
- (a) the balance of the Fund at the date of registration of these rules,
- (b) the contributions and other payments subsequently made by members in accordance with these rules less the benefits and other payments after the said date similarly authorised,

- (c) interest from the said date in accordance with sub-rule (6) of this rule, and
 - (d) any sums subsequently received by way of donations, voluntary contributions, sales of rules and otherwise.
- (3) There shall be transferred each year to the Management Fund such part of the contributions received into each Fund as is specified in the relevant Table.
 - (4) There shall be transferred from time to time from the Insurance Business Fund to the General and Distress Fund such part of the contributions as may not be required to maintain the actuarial solvency of the Insurance Business Fund, the amount to be calculated in accordance with the basis certified by the appropriate actuary. In addition, the whole or part of any surplus arising in the Management Fund may from time to time be transferred to the General and Distress Fund at the discretion of the Board.
 - (6) The investment income of the Society shall be allocated to each Fund in such proportion as may be determined by the Board acting on the advice of the appropriate actuary.
 - (7) Any transfer of assets between the Society and a controlled body should be at arms length and for a proper market value consideration and there shall be a proper apportionment of all items of money and expenses between the Society and its controlled bodies.

37. Investment of Funds

So much of the funds of the Society, as may not be wanted either for immediate use, or to meet the usual accruing liabilities, shall with the consent of the Board or of a majority of the members of the Society present and entitled to vote in general meeting and, where appropriate, with the approval of the appropriate actuary, be invested by the Society subject to the Handbook of Rules and Guidance of the Financial Services Authority in any of the following ways, namely:

- (a) the purchase of land, or the erection or alteration of offices or other buildings thereon, or any investment in which trustees are for the time being by law authorised to invest trust funds;
- (b) shares and/or stock in the capital of any company (including any body corporate and any unincorporated body constituted under the law of a country or territory outside the United Kingdom), including the acquisition of any shares or stock in a company in connection with an initial public offer for sale;
- (c) debentures, including debenture stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness (not being instruments falling within sub-paragraph (e) below);
- (d) loan stock, bonds and other instruments creating or acknowledging indebtedness issued by or on behalf of any government, local authority, public authority or international organisation;

- (e) warrants or other instruments entitling the holder to subscribe for investments (including, but not limited to, those investments listed in sub-paragraphs (c) to (e) above);
- (f) certificates representing securities including, but not limited to, certificates or other instruments which confer: property rights in respect of any investment (including but not limited to, those investments listed in sub-paragraphs (a) to (d) above); any right to acquire, dispose of, underwrite or convert an investment, being a right which the holder would be entitled if he held any such investment to which the certificate or instrument relates; or a contractual right (other than an option) to acquire any such investment;
- (g) units in a collective investment scheme, including shares in or securities of an open-ended investment company, unit trust or mutual fund;
- (h) options (including, but not limited to, options to acquire or dispose of currency, precious metals (including gold, palladium, platinum or silver), any investment described in this rule or an option to acquire or dispose of an investment described in this rule;
- (i) futures (including, but not limited to, financial futures contracts);
- (j) contracts for differences (including, but not limited to, rights under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value of the price of property of any description or in an index or other factor designated for that purpose in the contract);
- (k) rights to and interest in anything which is an investment falling within any paragraph of Part I of Schedule 1 to the Financial Services Act 1986;
- (l) notes and floating rate notes;
- (m) time deposits;
- (n) spot and forward exchange contracts;
- (o) bankers' acceptances;
- (p) precious metals and/or precious metals receipts;
- (q) any investment where such acquisition was made pursuant to obligations of the Society as an underwriter or sub-underwriter;
- (r) commercial paper with or without certificate form;
- (s) convertible instruments;
- (t) any other investment instruments so designated in writing or any other "investment" as that word is defined in section 1(1) of the Financial Services and Markets Act or as may be amended from time to time;
- (u) in any other manner authorised by the Society's memorandum.

38. Disputes

- (1) If any dispute shall arise between a member or person claiming through a member or under the rules, or any person aggrieved who has ceased to be a member, or any person claiming through such person aggrieved, and the Society, or any officer of the Society, it shall be decided by reference to arbitration, under the conditions set out at subsection (2) of this rule or, where both parties to the dispute so consent, by reference to the county court.
- (2) Five arbitrators shall be elected at a general meeting, none of them being directly or indirectly interested in the funds of the Society, and any vacancy or vacancies shall be filled at a general meeting. The complaining party to a dispute, or someone appointed by him, shall draw three names out of the five by lot and the three arbitrators whose names are first drawn shall decide the dispute.
- (3) In default of determination under subsection (2) above and upon the expiry of 40 days beginning with the day on which application was made for such determination, either party may apply for determination of the dispute by the county court.
- (4) In this rule the expression "dispute" includes any dispute arising on the question whether a member or person aggrieved is entitled to be or to continue to be a member or to be reinstated as a member but, save as aforesaid, in the case of a person who has ceased to be a member, does not include:
 - (a) any dispute other than a dispute on a question which arose whilst he was a member or arises out of his previous relation as a member to the Society and
 - (b) a dispute which has arisen as a result of and incidentally to a dispute between a member, or person aggrieved who has ceased to be a member and a person claiming through him or under the rules of the Society.

39. Complaints

- (1) Where a complaint is made by a member to the Society, the Board shall ensure that the complaint is investigated thoroughly by an officer or employee of the Society and that the investigation is completed within a reasonable time. As soon as practicable following completion of the investigation, the Board shall ensure that the member who made the complaint is notified in writing of the results of that investigation. However, nothing in this rule shall prevent a member who makes a complaint to the Society using the disputes procedure set out in rule
- (2) The Board shall ensure that there is in force at all times a complaints procedure that complies with the requirements set out by the Financial Services Authority

Nothing in either this rule or rule 36 prevents any person, in accordance with the scheme for which Part XVI of the Financial Services and Markets Act provides (the ombudsman scheme), from having a complaint dealt with under such a scheme before, or instead of, arbitration.

40. Voluntary Dissolution

The Society may at any time be dissolved by an instrument of dissolution approved by a special resolution of the Society.

41. Distribution of Surplus Assets on Dissolution

Upon the winding-up of the Society, or upon its being dissolved by consent, any surplus remaining after payment in full of the Society's creditors shall be divided among those members who were members at the date of commencement of dissolution or winding-up so that the amount of remaining surplus which each member receives will be the same proportion thereof as that member's financial interest in the Society, as certified by the appropriate actuary, bears to the Society's total assets.

42. Common Seal

- (1) The Common Seal of the Society shall bear the name of the Society.
- (2) The Common Seal shall be kept at the Registered Office or at such other place as the Board may from time to time determine, and shall be in the custody of such individual as the Board may from time to time direct.
- (3) The Common Seal shall not be used without the authority of the Board or of a committee authorised in that behalf and, when used or affixed to any document, such document shall be countersigned by such individual or individuals as the Board may authorise for that purpose from time to time. All documents so sealed and countersigned shall be deemed to be validly executed by the Society.

43. Notices

All summonses and notices shall be deemed to have been duly served if addressed to the member or person for whom they are intended at his last known address and delivered at or sent by post to that address.

44. Copies of Memorandum and Rules

The Secretary shall on request give a copy of the memorandum and these rules

- (i) free of charge, to any member of the Society to whom a copy of these documents has not previously been given; and
- (ii) to any other person on payment of a reasonable fee not exceeding the amount permitted by law.

45. Alteration to Memorandum and Rules

- (1) The majority of the members at a general meeting of which notice has been given specifying the intention to propose an alteration to the memorandum or rules may alter them by adding, rescinding or varying any provision.
- (2) Any alteration of the memorandum of the Society to include among its purposes and powers the carrying on of any activity concerning the control of subsidiaries and other bodies corporate such as is mentioned in section 13(1) of the Act must be adopted by the Society at a special resolution of the society in a general meeting; and any amendment of a provision in its memorandum which permits it to do so must also be adopted.
- (3) Copies of a record of every alteration to the Society's memorandum or rules shall be sent to the Financial Services Authority within 3 months of the date when the alteration was made.
- (4) No alteration of the Society's memorandum or rules shall take effect until it is registered or until such later date as is specified in the record of alteration.
- (5) The Society may change its name by resolution of the Society in a general meeting after the giving of such notice as is required for a special resolution. Notice of the change shall be sent to the Financial Services Authority in the directed form.
- (6) The Society may change its registered office by resolution of the Board. Notice of the change shall be sent to the Financial Services Authority in the directed form within three months.

46. Applicable Law

Subject to the mandatory requirements of the law of a member state, or part thereof, the applicable law in respect of contracts of insurance entered into by virtue of these rules, and any other contracts of insurance entered into with the Society, shall be English law.

47. Financial Services Compensation Scheme

The Society shall, as required, contribute to the Financial Services Compensation Scheme pursuant to rules made under section 21.3(3)(b) of the Financial Services and Markets Act. The Financial Services Compensation Scheme may, in accordance with these rules, pay compensation to members who are eligible claimants (as defined in the Compensation Sourcebook of the Financial Services Authority) or secure continuity insurance for members who are eligible claimants, where the Society is unable or unlikely to be unable to meet claims against it.

APPENDIX
FORM OF NOMINATION

NOMINATION

TRANSPORT FRIENDLY SOCIETY LIMITED

Registered and incorporated under the Friendly Societies Act 1992

In the event of my death I nominate the following person(s) to receive money payable by the Society in the stated proportion:

| Full Name | Relationship | Proportion |
|-----------|--------------|------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Address of first named Nominee _____
 _____ Post Code _____

I confirm that this Nomination revokes any previous nomination.

Signed _____ Date _____

Full Name _____

Address _____

_____ Post Code _____

WITNESSED BY _____

Address _____

_____ Post Code _____