

Company No: 02833330

Virgin Net Limited

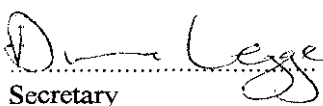
Written resolutions of the Company pursuant to Regulation 53 of Table A to the Companies Act 1985

On 26 July 1999 all the members of the Company who at the date were entitled to attend and vote at a general meeting of the Company signed, pursuant to Section 381A of the Companies Act 1985 and in accordance with the provisions of paragraph 5 of Part II of Schedule 15A of the Companies Act 1985, the following Resolution as a Written Resolution:

RESOLUTION

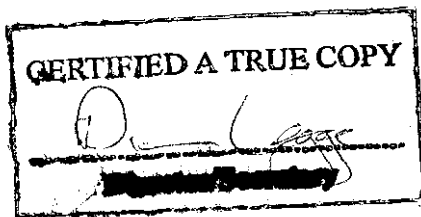
THAT:-

- 1 all the issued cumulative redeemable preference shares of £1 each in the capital of the Company be and are hereby re-designated as "Series A" cumulative redeemable preference shares of £1 each.
- 2 the authorised share capital of the Company be and is hereby increased from £8,955,650 to £14,055,650 by the creation of an additional 2,550,000 "A" Ordinary Shares of £1 each, 2,450,000 "B" Ordinary Shares of £1 each and 100,000 Preference Shares of £1 each;
- 3 in accordance with Section 80 of the Companies Act 1985, the directors of the Company be and are hereby generally and unconditionally authorised to allot up to 100,000 cumulative redeemable preference shares of £1 each in the capital of the Company, 2,550,000 "A" ordinary shares of £1 each in the capital of the Company and 2,450,000 "B" ordinary shares of £1 each in the capital of the Company at any time on or before 31 December 1999.
- 4 the Regulations contained in the printed document marked "A" attached to these Resolutions be and the same are hereby approved and adopted as the new Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association of the Company.


Secretary

14.9.1999
Date





"A"

The Companies Act 1985

NEW ARTICLES OF ASSOCIATION
Adopted by special resolution passed on 26 July 1999

of

VIRGIN NET LIMITED
Registered number: 2833330

A company limited by share capital

1 **PRELIMINARY**

The regulations contained or incorporated in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (such Table being hereinafter called "Table A") shall apply to the Company save insofar as they are further excluded or varied hereby and such regulations (save as so excluded or varied) and the Articles hereinafter contained shall be the regulations of the Company.

2 **INTERPRETATION**

In these Articles and in Table A the following expressions have the following meanings unless inconsistent with the context:-

"the "A" Shareholders"	the holders for the time being of the "A" Shares (as defined hereafter).
"the Act"	the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force.
"these Articles"	these Articles of Association, whether as originally adopted or as from time to time altered by special resolution.
"associate"	in relation to a corporate entity a subsidiary or holding company of such entity or a subsidiary of such holding company.
"the "B" Shareholders"	the holders for the time being of the "B" Shares (as defined hereafter).
"Board"	the board of directors of the Company from time to time.

"clear days"	in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
"the directors"	the directors for the time being of the Company or (as the context shall require) any of them acting as the board of directors of the Company.
"executed"	includes any mode of execution.
"the holder"	in relation to shares means the member whose name is entered in the register of members as the holder of the shares.
"IC"	CableTel Ventures Limited.
"IC Group"	means the IC Group as defined in the Subscription Agreement.
"Independent Accountant"	an independent accountant appointed by agreement between the Shareholders or in the absence of agreement on the application of either by the President of the Institute of Chartered Accountants of England and Wales who shall act as an expert, whose decision shall be final and binding on the Shareholders and whose costs shall be borne as he shall determine.
"Listing"	<p>(i) the listing of any ordinary shares in the capital of the Company on the Stock Exchange becoming effective; or</p> <p>(ii) the granting of an application by the Company for the dealing in any of the ordinary shares of the Company on any other public securities market in the United Kingdom (including the Alternative Investment Market of the Stock Exchange) whereby such shares can be freely traded and the approval for such dealing becoming effective.</p>
"office"	the registered office of the Company.
"Preference Shareholders"	the holders for the time being of the Preference Shares (as defined hereafter).
"seal"	the common seal of the Company (if any).
"secretary"	the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary.

“Share”	means any share in the Company and includes any interest in any such share.
“Shareholders”	the holders for the time being of the “A” shares, the “B” shares and the “non-voting” shares (as defined hereafter).
“Schedule”	the Schedule set out in these Articles and which forms a part of these Articles.
“Share Option Scheme”	means the Share Option scheme adopted by the Company on 10 August 1998.
“the Stock Exchange”	the London Stock Exchange Limited.
“Subscription Agreement”	an agreement dated 21st March 1996 between the Company, Virgin Communication Limited, IC and CableTel UK Group Inc. as amended supplemented or restated from time to time.
“the United Kingdom”	Great Britain and Northern Ireland.
“Virgin”	Virgin Holdings S.A.
“Virgin Group”	means the Virgin Group as defined in the Subscription Agreement.

Unless the context otherwise requires, words or expressions contained in these Articles and in Table A bear the same meaning as in the Act but excluding any statutory modification thereof not in force when these Articles become binding on the Company and words or expressions defined in the Subscription Agreement shall bear the same meaning in these Articles. Regulation 1 of Table A shall not apply to the Company.

3 SHARE CAPITAL

- 3.1 The authorised share capital of the Company at the time of adoption of these Articles is £14,055,650 divided into 5,865,000 “A” Ordinary Shares of £1.00 each (“A” shares), 5,635,000 “B” Ordinary Shares of £1.00 each (“B” shares”) and 455,650 Non-voting Ordinary Shares of £1.00 each (“non-voting” shares”) (the “A” shares, “B” shares and “non-voting” shares together “the ordinary shares”) and 2,100,000 Cumulative Redeemable Preference Shares of £1.00 each (“Preference Shares”). The “A” shares, the “B” shares and the “non-voting” shares shall be separate classes of shares but, save as hereinafter expressly provided, shall rank pari passu in all respects. The Preference Shares shall have the rights set out in these Articles.
- 3.2 Save in respect of shares to be issued pursuant to the Subscription Agreement and the Share Option Scheme and the documents referred to therein (which will be issued strictly in accordance with their terms) and as may be provided by regulation 110 of Table A as amended by these Articles all ordinary shares which the directors propose to issue shall be comprised of “A” shares and “B” shares in

the proportions which at that time the "A" Shares and the "B" Shares bear to each other and shall be dealt with in accordance with the following provisions of this Article 3.2:-

- a) any "A" shares or "B" shares proposed to be issued shall first be offered to any member or members of the IC Group or the Virgin Group holding shares in the same class and in proportion to the number of existing ordinary shares in the same class held by them respectively, unless the Company shall by special resolution otherwise direct.
- b) each such offer shall be made by notice specifying the total number of shares being offered to such members of the IC Group and the Virgin Group, the proportionate entitlement of the member to whom the offer is made and the price per share (which shall be the same for each share of each class of share) and shall require each member to state in writing within a period (not being less than fourteen days) specified in the notice whether he is willing to take any and, if so, what maximum number of the said shares up to his proportionate entitlement;
- c) an offer, if not accepted within the period specified in the notice as regards any shares, will be deemed to be declined as regards those shares. After the expiration of such period, any "A" shares so deemed to be declined by the member or members of the IC Group or the Virgin Group who hold "A" shares shall be offered in the proportion aforesaid to the member or members of the IC Group or the Virgin Group who hold "B" shares, and who have, within the said period, accepted all the "B" shares offered to them; and any "B" shares so deemed to be declined by the member or members of the IC Group or the Virgin Group who hold "B" shares shall be offered in the proportion aforesaid to the holders of "A" shares who have, within the said period, accepted all the "A" shares offered to them;
- d) any shares not accepted pursuant to such offer and further offers made in accordance with this Article 3.2 or not capable of being offered as aforesaid except by way of fractions shall not be issued;
- e) any shares released from the provisions of this Article 3.2 by special resolution in accordance with Article 3.2(a) shall be under the control of the directors, who may allot, grant options over or otherwise dispose of the same to such persons, on such terms, and in such manner as they think fit;
- f) all shares which pursuant to the provisions of the regulations of the Company may be issued to a holder of "A" shares or "B" shares shall upon being registered in the name of such holder become "A" shares or "B" shares respectively.

3.3 The provisions of Article 3.2 shall have effect subject to section 80 of the Act.

3.4 Regulation 4 of Table A and, in accordance with section 91(1) of the Act, sections 89(1) and 90(1) to (6) (inclusive) of the Act shall not apply to the Company.

4 RIGHTS ATTACHING TO THE PREFERENCE SHARES AND ORDINARY SHARES

4.1 **Capital**

On a return of assets on liquidation or otherwise the assets of the Company remaining after the payment of its liabilities shall be applied as follows:

4.1.1 first in paying to the Preference Shareholders the original subscription price per share together with a sum equal to any arrears deficiency or accruals of the dividends on the Preference Shares calculated down to the date of return of capital and payable irrespective of whether such dividend has been declared earned or not; and

4.1.2 second, any balance shall be distributed amongst the holders of ordinary shares pro rata according to the number of ordinary shares held by them respectively.

4.2 **Voting**

Whilst the holders shall be entitled to receive notice of, and attend all general or other meetings of the Company, the Preference Shares shall carry no voting rights other than in respect of a resolution for winding up the Company or reducing its share capital or varying or abrogating any of the special rights attached to the Preference Shares, without prejudice to the provisions of clause 13.2 of the Subscription Agreement.

A holder of "non-voting" shares shall not be entitled to receive notice of general meetings nor to attend and vote thereat.

4.3 **Dividends**

4.3.1 The Company shall (in the case of Part 1 of the table below) and may (in the case of Part 2 of that table) pay to the holders of the Shares in question dividends in accordance with and in the order of priority set out in the table below:-

<u>Class of Share</u>	<u>Kind of Dividend</u>	<u>Date of Commencement of Accrual</u>	<u>Amount of Dividend per Share per annum</u>
<u>Part 1</u>			
Preference	fixed cumulative preferential cash ("Fixed Preference Dividend")	date of issue	10% net per annum
<u>Part 2</u>			
"A" shares "B" shares and "non-voting" shares	non-cumulative pari passu	date of issue	the balance of the profits determined to be distributed

4.3.2

In each case the dividends referred to in Article 4.3.1 shall:

- a) if referred to as "net" be calculated exclusive of the associated tax credit;
- b) be accompanied by a certificate for the associated tax credit (if any);
- c) accrue from day to day;
- d) in the case of dividends referred to in Part 1 of the table in Article 4.3 be paid on the due date in accordance with Article 4.4 without any resolution of the Directors or the Company;
- e) in the case of dividends referred to in Part 2 of the Table in Article 4.3 be distributed amongst the holders of ordinary shares pro rata according to the number of ordinary shares held by them respectively;
- f) if not paid on the date fixed for payment, become a debt due from and immediately payable by the Company to the shareholder in question. Such debts shall arise and be paid by the Company in the order of priority set out in the table above so that all debts so arising on whatever date to the holders of Preference Shares shall be paid first and in priority to any such dividends due to the holders of other shares PROVIDED that upon any such debt arising on the Preference Shares, the presentation of a petition to wind up the Company by the holders of Preference Shares shall require the consent of all holders of Preference Shares in issue at the relevant time;
- g) in the case of a Preference Share redeemed on any date, such share shall be considered still in issue for the purposes of calculating entitlement to the dividend payable on that date;
- h) where expressed as a percentage or where expressed to be paid pari passu with the dividend on another class of shares be payable with regard to any premium paid up on such share and to all amounts paid up or credited as paid up on such share; and
- i) if described as being a certain percentage per annum be reduced proportionately on a daily basis in respect of any period less than a full year.

4.3.3

For the avoidance of doubt, the Preference Shares may be issued in different series on different dates. Each series of Preference Shares shall bear an identifying letter or number (as determined by the Board at the date of issue of each series) and shall constitute a separate class of shares save as provided in paragraph 1.2 of the Schedule and each series shall rank pari passu in all respects, save for the date on which the Fixed Preference Dividend on such shares begins to accrue which shall be the date of issue of the relevant Preference Shares.

4.3.4

The Fixed Preference Dividend in respect of each Preference Share shall accrue from the date on which such Preference Share is issued until the date on which that Preference Share is redeemed under the provisions of Article 4.4, and all such accruals of Fixed Preference Dividend shall be paid on that date as part of the redemption monies payable in respect of that Preference Share.

- 4.3.5 If any Fixed Preference Dividend is not paid or the Preference Shares are not redeemed in full in accordance with Articles 4.4.2 and 4.4.3 on a Redemption Date (as defined in Article 4.4.2) or the seventh anniversary of completion of the Subscription Agreement, otherwise than by reason of lack of distributable reserves or other prohibition or restriction imposed by law, interest shall be payable on the amount not paid at the rate of 4% above the base rate of Lloyds Bank plc from time to time (compounded monthly until it is actually paid). Such interest shall be payable on each succeeding Redemption Date or the seventh anniversary of completion of the Subscription Agreement (or the date such unpaid dividend is paid if sooner) or if there are any Preference Shares which have not been redeemed on the seventh anniversary of completion of the Subscription Agreement the Company shall pay such interest at the end of each month.
- 4.3.6 Other than dividends payable in accordance with Part 1 of the table in Article 4.3, no dividends shall be declared or paid on any class of share and no sum shall be set aside as reserves (unless required by law) nor profits available for distribution shall be carried forwards unless and until:
- a) all cumulative dividends and interest thereon payable in respect of previous financial periods shall have been paid in full;
 - b) any Preference Shares due to be redeemed in accordance with this Article 4 have been redeemed.
- 4.3.7 The following Regulations of Table A shall not apply to the payment of any dividends: 102, 103, 105, 107. Regulation 104 of Table A shall be modified by the provisions of Article 4.3.2(e) and Article 4.3.2(i).
- 4.3.8 The method and timing of distribution of profits shall take into account the interests of the "A" Shareholders, the "B" Shareholders and the holders of Preference Shares in minimising taxation liabilities.
- 4.3.9 The Company shall procure that each of its subsidiaries which has profits available for distribution shall from time to time declare and pay to the Company such dividends as are necessary to permit lawful and prompt payment by the Company of any dividends or redemptions required to be paid by Articles 4.3 and 4.4.
- 4.4 **Redemption**
- 4.4.1 The Company shall have the right at any time pursuant to a resolution of the Board validly passed at a Board Meeting, subject to the provisions of the Act and Article 4.4.6 on not less than one month's prior notice in writing, to redeem all or any whole number of Preference Shares.
- 4.4.2 On the fifth anniversary of completion of the Subscription Agreement and thereafter on each 31st January and 31st July in each year following the fifth anniversary of completion of the Subscription Agreement ("Redemption Dates") and subject to Article 4.4.6 if the Group has available cash resources in excess of 115% of its projected requirements for operating purposes, capital expenditure and working capital all as shown in the last 13 weekly cash flow forecast prepared

pursuant to clause 12.2(h) of the Subscription Agreement produced by the Company prior to that Redemption Date the Company shall apply such excess in redeeming as many of the Preference Shares as is possible subject always to the requirements of the Act. In the event of any dispute as to the same or as to whether there are profits available for distribution to make such distribution the Company shall procure that the Independent Accountant shall certify whether such profits are available or not and the amount thereof.

- 4.4.3 The Company undertakes that unless the "A" Shareholders and the "B" Shareholders otherwise agree in writing all the Preference Shares then unredeemed shall be redeemed on the seventh anniversary of completion of the Subscription Agreement or in the event that for any legal reasons such redemption cannot then take place such number of Preference Shares as can lawfully then be redeemed shall, subject to Article 4.4.6, be redeemed and at the end of the first month thereafter and of each following month thereafter the Company shall redeem so many of the remaining Preference Shares as should have been redeemed as it may then lawfully redeem.
- 4.4.4 If any Preference Shares are not redeemed in full in accordance with this Article 4.4 on a Redemption Date or the seventh anniversary of completion of the Subscription Agreement, otherwise than by reason of lack of distributable reserves or other prohibition or restriction imposed by law, the amount payable on the redemption of those Preference Shares shall be increased by an amount equivalent to interest on the amount not paid at the rate of 4% above the base rate of Lloyds Bank plc from time to time (compounded monthly until it is actually paid). Such additional sum shall be payable on the date on which the Preference Shares in question are redeemed.
- 4.4.5 All redemptions of Preference Shares under these Articles shall require the Company to pay to the holder thereof the sum of £1 per Preference Share plus any premium fully paid up thereon, all accruals of the Fixed Preference Dividend thereon up to and including the actual date of redemption, and any sum equivalent to interest payable under the provisions of Article 4.4.4.
- 4.4.6 Each redemption of some but not all of the Preference Shares shall be made:
- 4.4.6.1 first, as between any series of Preference Shares, those issued earlier shall be redeemed before those issued later; and, subject thereto
- 4.4.6.2 amongst holders of Preference Shares of the series to be redeemed, pro rata to the number of Preference Shares of that series held by them just prior to redemption.
- 4.4.7 If the Company fails to redeem Preference Shares on the date fixed for redemption the Fixed Preference Dividend in respect of such shares shall continue to accrue to the date on which such Preference Shares are redeemed or, on the date of payment of such Fixed Preference Dividend, if earlier.
- 4.4.8 Any holder of Preference Shares shall be entitled to forego or postpone any right to some or all outstanding redemption monies and any such action shall be without prejudice to the later enforcement of that particular holder's rights hereunder.

4.4.9 Upon delivery of a Preference Share certificate for redemption the Company shall pay to such holder the amount due to him in respect of such redemption and shall cancel the certificate. If any certificate so delivered to the Company includes any Shares which are not to be redeemed on that occasion a fresh certificate for such unredeemed shares shall be issued to the holder.

4.5 The non-voting shares shall convert on a Listing into the type of ordinary share of the Company which will, on the Listing, be quoted on the Stock Exchange or any other public securities market in the United Kingdom and shall rank *pari passu* in all respects and as one class with such quoted ordinary shares with effect from the date of conversion.

5 **LIEN**

For the avoidance of doubt (but without limitation), Regulation 8 of Table A shall apply without amendment.

6 **CALLS ON SHARES AND FORFEITURE**

There shall be added at the end of the first sentence of regulation 18 of Table A, so as to increase the liability of any member in default in respect of a call, the words “and all expenses that may have been incurred by the Company by reason of such non-payment”.

7 **TRANSFERS OF SHARES**

7.1 No Shares shall be the subject of any transfer, sale, assignment, renouncement or of any other creation or disposal of any interest (including a Security Interest and the granting of any options) except in accordance with the provisions of these Articles (including without limitation thereof the Schedule which Schedule shall apply to all transfers of Shares save as otherwise provided in such Schedule or otherwise in these Articles or the Subscription Agreement) and the Subscription Agreement.

7.2 Before any person (other than a person who is already a Shareholder) (a “New Party”) is registered as a holder of any share in the Company such person shall enter into a Supplemental Deed (as defined and set out in the Subscription Agreement) covenanting with the continuing parties to the Subscription Agreement to observe, perform and be bound by all the terms of the Subscription Agreement which are capable of applying to such person and which have not then been performed. The Company shall not register any such person as the holder of any Share until such a deed has been executed by the New Party and the other parties to the Subscription Agreement; upon being so registered that person shall be deemed to be a party to the Subscription Agreement.

7.3 The Board shall register and give effect to any transfer made in accordance with these Articles or the Subscription Agreement, and shall not register any transfer which is not made in accordance with these Articles or the Subscription Agreement.

7.4 Unless the provisions of clauses 14.6, and 14.8 to 14.11 (inclusive) of the

Subscription Agreement have been complied with in full the Board shall neither register nor give effect to any transfer of Shares by Virgin or any member of the Virgin Group if the effect of such transfer would if completed be to enable any person or persons to obtain any Security Interest in a Share other than a member of the Virgin Group.

- 7.5 Unless the provisions of clauses 14.7, and 14.9 to 14.11 (inclusive) of the Subscription Agreement have been complied with in full the Board shall neither register nor give effect to any transfer of Shares by IC or any member of the IC Group if the effect of such transfer would if completed be to enable any person or persons to obtain any Security Interest in a Share other than a member of the IC Group.

8 GENERAL MEETINGS

The directors or any of them may call general meetings and regulation 37 of Table A shall not apply to the Company.

9 NOTICE OF GENERAL MEETINGS

- 9.1 A notice convening a general meeting shall be required to specify the general nature of the business to be transacted only in the case of special business and regulation 38 of Table A shall be modified accordingly. The words "or a resolution appointing a person as a director" and Articles (a) and (b) in regulation 38 of Table A shall be deleted and the words "in accordance with section 369(3) of the Act" shall be inserted after the words "if it is so agreed" in that regulation.

- 9.2 All business shall be deemed special that is transacted at any extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the profit and loss account, balance sheet, and the reports of the directors and auditors, the appointment of, and the fixing of the remuneration of the auditors and the giving or renewal of any authority in accordance with section 80 of the Act.

- 9.3 Every notice convening a general meeting shall comply with the provisions of section 372(3) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any general meeting which any member is entitled to receive shall be sent to the directors and to the auditor for the time being of the Company.

10 PROCEEDINGS AT GENERAL MEETINGS

No business shall be transacted at any general meeting unless a quorum of members is present throughout the meeting. A quorum shall consist of two members present in person or by proxy or (in the case of a member being a corporation) by representative of whom (only for so long as there shall be "A" shares and "B" shares in issue) one shall be a holder of "A" shares and one a holder of "B" shares save that if and for so long as the Company has only one person as a member, one member present in person or by proxy shall be a quorum and save further that any two members present in the manner aforesaid shall constitute a quorum at any adjourned meeting of an inquorate meeting. Regulation 40 of Table A shall not apply to the Company.

10.1 If a quorum is not present within half an hour from the time appointed for a general meeting the general meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other place as the directors may determine at which meeting any two members present in person or by proxy or (in the case of a member being a corporation) by representative shall be a quorum; if at the adjourned general meeting a quorum is not present within half an hour from the time appointed therefor such adjourned general meeting shall be dissolved. Regulations 41 and 50 of Table A shall not apply to the Company.

10.2 A poll may be demanded at any general meeting by the Chairman or by any member present in person or by proxy and entitled to vote. Regulation 46 of Table A shall be altered accordingly.

11 VOTES OF MEMBERS

11.1 Regulation 54 of Table A shall not apply to the Company. Subject to any rights or restrictions for the time being attached to any class or classes of shares and to Article 11.4, on a show of hands every member entitled to vote who (being an individual) is present in person or by proxy (not being himself a member entitled to vote) or (being a corporate body) is present by a representative or proxy (not being himself a member entitled to vote) shall have one vote and, on a poll, each member shall have one vote for each share of which he is the holder.

11.2 The words "be entitled to" shall be inserted between the words "shall" and "vote" in regulation 57 of Table A.

11.3 A member shall not be entitled to appoint more than one proxy to attend and vote on the same occasion and accordingly the final sentence of regulation 59 of Table A shall not apply to the Company. Any such proxy shall be entitled to cast the votes to which he is entitled in different ways.

11.4 On any resolution to remove a director appointed by the holders of "A" shares or the holders of "B" shares pursuant to these Articles or to amend or alter this Article 11.4, shares held by the relevant appointors shall together carry at least one vote in excess of 75% of the votes exercisable at the general meeting at which such resolution is to be proposed and such votes shall be apportioned amongst the relevant shareholders in the proportion in which they hold shares conferring the right to appoint such directors. For the avoidance of doubt the provisions of this Article 11.4 shall not prejudice the obligations of Virgin and IC to procure the removal of directors pursuant to Articles 14.4 and 14.5.

12 NUMBER OF DIRECTORS

Regulation 64 of Table A shall not apply to the Company.

13 ALTERNATE DIRECTORS

13.1 An alternate director shall be entitled to receive notice of all meetings of the directors and of all meetings of committees of the directors of which his appointor is a member (subject to his giving to the Company an address within the United Kingdom at which notices may be served on him), to attend and vote at any such

meeting at which the director appointing him is not personally present and generally to perform all the functions of his appointor at such meeting as a director in his absence. An alternate director shall not be entitled to receive any remuneration from the Company, save that he may be paid by the Company such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct. Regulation 66 of Table A shall not apply to the Company.

- 13.2 A director, or any such other person as is mentioned in regulation 65 of Table A, may act as an alternate director to represent more than one director, and an alternate director shall be entitled at any meeting of the directors or of any committee of the directors to one vote for every director whom he represents in addition to his own vote (if any) as a director, but he shall count as only one for the purpose of determining whether a quorum is present and the final sentence of regulation 88 of Table A shall not apply to the Company.
- 13.3 Save as otherwise provided in the regulations of the Company, an alternate director shall be deemed for the purposes specified in Article 13.1 to be a director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him. Regulation 69 of Table A shall not apply to the Company.
- 13.4 An alternate director shall not be entitled to vote on any resolution relating to any matter concerning the participation of his appointor in the Share Option Scheme.

14 APPOINTMENT AND RETIREMENT OF DIRECTORS

- 14.1 The number of Directors of the Company shall not be less than two. If and for so long as the Virgin Group holds more than 37.5% of the issued "A" shares and "B" shares then Virgin shall have right to appoint and remove three directors who shall be called A directors, and shall have the right to appoint (from the Board) and remove, the Chairman of the Company.
- 14.2 If and for so long as the IC Group holds more than 37.5% of the issued "A" shares and "B" shares then IC shall have the right to appoint and remove two directors who shall be called "B" directors, and shall have the right to appoint (from the Board) and remove, the Deputy Chairman of the Company.
- 14.3 All such appointments and removals under this Article 14 shall be by notice in writing and shall take effect upon lodgement at the registered office of the Company.
- 14.4 If at any time and from time to time the Virgin Group holds:
- a) 37.5 per cent or less but more than 25 per cent of the issued "A" shares and "B" shares then:
 - i) Virgin shall forthwith procure that there shall only be two "A" Directors and shall procure that to the extent there are more than two "A" Directors such additional directors shall forthwith resign;
 - ii) Virgin's right to appoint the Chairman of the Board shall terminate and

the Chairman shall resign and Virgin shall procure such resignation; and

- iii) The Management Agreement shall forthwith terminate without expense or cost to the Company (save for accrued costs and expenses) and without the consent in writing of the "B" Shareholders shall not revive or otherwise be binding on the Company;
- b) 25 per cent or less but more than 12.5 per cent of the issued "A" shares and "B" shares Virgin shall forthwith procure that there shall only be one "A" Director (who shall not be the Chairman), and shall procure that to the extent that there is more than one "A" Director such additional directors shall forthwith resign; and
- c) 12.5 per cent or less of the issued "A" shares and "B" shares Virgin shall forthwith procure that there shall not be any "A" Directors and Virgin shall forthwith procure that the "A" Directors shall resign and the quorum for any meeting of the Board or any meeting of the board of any subsidiary of the Company shall cease to require an "A" Director to be present and any requirement that any resolution shall require the approval of any "A" Director shall cease (if any).

If Virgin transfers (a) any Shares to IC or any member of the IC Group or (b) any Shares to IC or any member of the IC Group which transfers together with any transfers to any other person at the same time or approximately the same time as the transfers to the IC Group or members of the IC Group has the effect of or result in any "A" Director resigning or the Chairman resigning in accordance with this Article 14.4 then the right to appoint the Chairman shall be that of IC and IC shall be entitled to appoint additional "B" Directors up to the same number of "A" Directors as are required to resign pursuant to this Article 16.4 from time to time.

14.5

If at any time and from time to time the IC Group holds:

- a) 37.5 per cent or less but more than 25 per cent of the issued "A" shares and "B" shares then IC's right to appoint the Deputy Chairman shall cease and the Deputy Chairman shall resign and IC shall procure such resignation and the Deputy Chairman's rights under Clause 11.2 of the Subscription Agreement shall also cease;
- b) 25 per cent or less but more than 12.5 per cent of the issued "A" shares and "B" shares then IC shall forthwith procure that there shall only be one "B" Director and to the extent that there is more than one "B" Director(s) shall procure the resignation of such additional director(s); and
- c) 12.5 per cent or less the issued "A" shares and "B" shares IC shall forthwith procure that there shall not be any "B" Directors and IC shall forthwith procure that all "B" Directors shall resign and the quorum for any meeting or the Board or any meeting of the board of any subsidiary of the Company shall cease to require a "B" Director to be present and any requirement that any resolution shall require the approval of any "B" Director shall cease (if any).

If IC transfers (a) any Shares to Virgin or any member of the Virgin Group or (b) any Shares to Virgin or any member of the Virgin Group which transfers together with any transfers to any other person at the same time or approximately the same time as the transfers to the Virgin Group or members of the Virgin Group has the effect of or result

in any "B" Director resigning or the Deputy Chairman resigning in accordance with this Article 14.5 then the right to appoint the Deputy Chairman shall be that of Virgin and Virgin shall be entitled to appoint additional "A" Directors up to the same number of "B" Directors as are required to resign pursuant to this Article 14.5 from time to time.

14.6 The directors shall not be required to retire by rotation and regulations 73 to 80 (inclusive) of Table A shall not apply to the Company.

14.7 At any meeting of the directors:-

- a) any one or more of the directors or their alternates present at such meeting appointed by Virgin shall collectively be entitled to as many votes as would be permitted to be cast if all Virgin's appointed directors were present;
- b) any one or more of the directors or their alternates present at such meeting appointed by IC shall collectively be entitled to as many votes as would be permitted to be cast if all IC's appointed directors were present.

15 **DISQUALIFICATION AND REMOVAL OF DIRECTORS**

Notwithstanding the provisions of Article 14 the office of a director shall be vacated if:

15.1 he ceases to be a director by virtue of any provision of the Act or these Articles or he becomes prohibited by law from being a director; or

15.2 he becomes bankrupt or makes any arrangement or composition with his creditors generally; or

15.3 he is, or may be suffering from mental disorder and either:

- a) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983, or in Scotland an application for admission under the Mental Health (Scotland) Act 1960, or
- b) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or

15.4 he resigns his office by notice to the Company; or

15.5 he shall for more than six consecutive months have been absent without permission of the directors from meetings of directors held during that period and the directors resolve that his office be vacated;

15.6 if he is named in a notice of removal served in accordance with Article 17.1

and regulation 81 of Table A shall not apply to the Company.

16 **GRATUITIES AND PENSIONS**

Regulation 87 of Table A shall not apply to the Company and the directors may

exercise any powers of the Company conferred by the Company's Memorandum of Association to give and provide pensions, annuities, gratuities or any other benefits whatsoever to or for past or present directors or employees (or their dependants) of the Company or any subsidiary or associated undertaking (as defined in section 27(3) of the Companies Act 1989) of the Company and the directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

17

PROCEEDINGS OF THE DIRECTORS

17.1

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

- a) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is in any way interested;
- b) may be a director or other officer of or employed by or be a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is in any way interested;
- c) may or any firm or company of which he is a member or director may act in a professional capacity for the Company or any body corporate in which the Company is in any way interested;
- d) shall not by reason of his office be accountable to the Company for any benefit which he derives from such office, service or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
- e) shall be entitled to vote on any resolution other than in relation to any matter concerning his participation in the Share Option Scheme and (whether or not he shall vote) be counted in the quorum on any matter referred to in any of Articles 17.1(a) to 17.1(d) (inclusive) or on any resolution which in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever other than in relation to any matter concerning his participation in the Share Option Scheme and if he shall vote on any resolution as aforesaid his vote shall be counted.

17.2

For the purpose of Article 17.1:

- a) a general notice to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified;
- b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and
- c) an interest of a person who is for any purpose of the Act (excluding any statutory modification not in force when these Articles were adopted) connected with a

director shall be treated as an interest of the director and in relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

- 17.3 Regulations 94 to 97 (inclusive) of Table A shall not apply to the Company.
- 17.4 The quorum for the transaction of business of the directors shall throughout the meeting be two and for so long as there shall be "A" shares and "B" shares in issue this shall be comprised of at least one "A" director and at least one "B" director or their respective alternates PROVIDED THAT at any meeting of the directors that shall have been adjourned for lack of quorum any two directors present shall constitute a quorum.
- 17.5 The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Unless at least one director appointed by the "A" Shareholders and at least one director appointed by the "B" Shareholders indicate their willingness to accept shorter notice of a meeting of the directors, at least 7 clear days' prior notice of the time and place of each meeting of the directors shall be given. Questions arising at any meeting shall be determined by a majority of votes save as provided in the Subscription Agreement and in the case of an equality of votes the chairman of the meeting shall not have a second or casting vote.
- 17.6 A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors. Notice of every meeting of the directors shall be given to every director in accordance with the provisions referred to in Article 23 but the non-receipt of notice by any director shall not of itself invalidate the proceedings at any meeting of the directors.
- 17.7 Any director including an alternate director may participate in a meeting of the directors or a committee of the directors of which he is a member by means of a conference telephone or similar means of communications equipment whereby all persons participating in the meeting can hear each other and participation in this manner shall be deemed to constitute presence in person at such meeting and, subject to these Articles and the Act, he shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
- 17.8 Regulation 88 of Table A shall be amended by substituting for the sentence:-

"It shall not be necessary to give notice of a meeting to a director who is absent from the United Kingdom"

the following notice:-

"Notice of every meeting of the directors shall be given to each director and his alternate director, including directors and alternate directors who may for the time being be absent from the United Kingdom and have given the Company an address within the United Kingdom for service".
- 17.9 The words "of filling vacancies, or" shall be omitted from regulation 90 of Table

A.

- 18 The penultimate sentence of regulation 88 of Table A shall not apply to the Company.

19 **THE SEAL**

If the Company has a seal it shall only be used with the authority of the directors or of a committee of the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined every instrument to which the seal is affixed shall be signed by one director and by the secretary or another director. The obligation under regulation 6 in Table A relating to the sealing of share certificates shall apply only if the Company has a seal. Regulation 101 of Table A shall not apply to the Company.

20 **CAPITALISATION OF PROFITS**

The words "special resolution" shall be substituted for the words "ordinary resolution" in regulation 110 of Table A provided that for so long as there are "A" shares and "B" shares in issue, on any occasion when shares are allotted and distributed credited as fully paid pursuant to the provisions of regulation 110 of Table A as amended by this Article the shares allotted to holders of "A" shares shall forthwith on allotment automatically stand designated as "A" shares and the shares allotted to holders of "B" shares shall forthwith on allotment automatically stand designated as "B" shares and any shares allotted to holders of "non-voting" shares shall forthwith on allotment automatically stand designated as "non-voting" shares.

21 **NOTICES**

- 21.1 In regulation 112 of Table A, the words "first class" shall be inserted immediately before the words "post in a prepaid envelope".

- 21.2 Where a notice is sent by first class post, proof of the notice having been posted in a properly addressed prepaid envelope shall be conclusive evidence that the notice was given and shall be deemed to have been given at the expiration of 24 hours after the envelope containing the same is posted. Regulation 115 of Table A shall not apply to the Company.

- 21.3 If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least one national daily newspaper and such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day when the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.

22 **WINDING UP**

In regulation 117 of Table A, the words "with the like sanction" shall be inserted immediately before the words "determine how the division".

23

INDEMNITY

- 23.1 Subject to the provisions of section 310 of the Act every director (including an alternate director) or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the lawful execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 144 or section 727 of the Act in which relief is granted to him by the court, and no director (including an alternate director) or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the lawful execution of the duties of his office or in relation thereto. Regulation 118 of Table A shall not apply to the Company.
- 23.2 The directors shall have power to purchase and maintain at the expense of the Company for the benefit of any director (including an alternate director), officer or auditor of the Company insurance against any liability as is referred to in section 310(1) of the Act and, subject to the provisions of the Act, against any other liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a director, (including as an alternate director) officer or auditor.
- 23.3 The directors may authorise the directors of companies within the same group of companies as the Company to purchase and maintain insurance at the expense of the Company for the benefit of any director (including an alternate director), other officer or auditor of such company in respect of such liability, loss or expenditure as is referred to in Article 23.2.

24

VARIATION OF CLASS RIGHTS

- 24.1 If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares for that class and save as provided by Article 24.2) may not, whether or not the Company is being wound-up, be varied without the consent in writing of the holders of three-fourths in number of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.
- To every such separate general meeting the provisions of the regulations of the Company relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. If any such separate general meeting shall be adjourned owing to the absence of a quorum and if at the adjourned meeting a quorum shall not be present within half-an-hour from the time appointed for such adjourned meeting the holder or holders of shares of the class concerned who are present shall constitute a quorum and shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.
- 24.2 Subject as provided in Section 125(3) of the Act, and notwithstanding the

provisions of Article 24.1 the rights attaching to the "non-voting" shares may be varied by a special resolution or extraordinary resolution passed either at a general meeting of the Company or in accordance with Regulation 53 of Table A or Section 381A of the Act.

25 **FINANCIAL ASSISTANCE**

The Company may in accordance with and subject to Part V of the Act and all other provisions for the time being (if any) therefore:

- 25.1 give financial assistance directly or indirectly for the purpose of acquiring any shares in the Company, or its holding company, or subsidiary company of its holding company, if any;
- 25.2 issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder thereof except that no redeemable shares may be issued at any time when there are no issued shares of the Company which are not redeemable;
- 25.3 purchase its own shares including its own redeemable shares;
- 25.4 make a payment in respect of the redemption or purchase of any of its own fully-paid shares out of the distributable profits of the Company or the proceeds of a fresh issue of shares or, so long as the Company is a private company, capital or, so long as aforesaid, partly one way and partly another and as to redemption on such terms and in such manner as may be determined at any time or times by directors

Provided always that any shares purchased or redeemed by the Company shall be treated as cancelled.

26 **DISSOLUTION**

Upon the bankruptcy, dissolution or liquidation at any time of any of the "A" Shareholders or the "B" Shareholders, unless all the holders of the "A" Shares and "B" Shares (other than that holder) agree otherwise in writing within 90 days of such bankruptcy, dissolution or liquidation as aforesaid, the Company shall be dissolved and as required by Section 84(1)(a) Insolvency Act 1986 the Company shall hold a general meeting at which the holders of all shares entitled to vote thereat as provided herein shall be required to vote in favour of a Resolution requiring the Company to be wound-up voluntarily. All provisions hereof governing voting, meetings of members, meetings of directors and the like shall be subject to this Article 26.

SCHEDULE

Transfer of Shares

References to paragraphs in this Schedule are references to the relevant paragraphs in this Schedule.

References in this Schedule to a “non-voting” Shareholder” is to a holder of “non-voting” shares.

1 TRANSFER OF SHARES

1.1 Any person (hereinafter called “the proposing transferor”) proposing to transfer any Shares shall give notice in writing (hereinafter called “the transfer notice”) to the Company that he desires to transfer the same and specifying the price per Share at which he is willing to transfer them. The transfer notice shall constitute the Company the agent of the proposing transferor for the sale of all (but not some only) Shares (of whatever class or classes) specified in the transfer notice at the price specified therein or (where appropriate) at the fair value certified in accordance with paragraph 1.3 (whichever shall be the lower). A transfer notice shall not be revocable except with the sanction of the Board in favour of which at least one “A” Director and one “B” Director shall have consented.

1.2 The Shares comprised in any transfer notice shall be offered first to the other holders of Shares of the same class, and second to the holders of Shares of other classes (other than holders of “non-voting” shares) (in each case “the potential transferees”). For the purposes of this Schedule only, all series of Preference Shares in issue shall be deemed to be part of one single class of Preference Shares and “A” Shares, “B” Shares and “non-voting” shares shall each be treated as separate classes. Such offer shall be made by notice in writing (hereinafter called “the pre-emptive notice”) within seven days after the receipt by the Company of the transfer notice. The pre-emptive notice shall:

- a) state the identity of the proposing transferor, the number and class(es) of Shares comprised in the transfer notice per Share of each class (“the price”) and inform the potential transferees that Shares are offered to them in accordance with the provisions of this paragraph 1.2;
- b) contain a statement to the effect that the Shares are offered in the first instance to other holders of Shares of the same class, and in the second instance to the holders of Shares of other classes (other than holders of “non-voting” shares) in each case pro rata as nearly as may be to the number of Shares of the relevant class or classes registered in the name of each offeree, but go on to invite each potential transferee to state in his reply whether he wishes to purchase more or less Shares than his proportionate entitlement and if so what number;
- c) subject as provided in paragraph 1.3 contain a statement of the right of each potential transferee to request (i) a certificate of fair value under paragraph 1.3, the form of such statement to be as near as circumstances permit to that of the first sentence of that paragraph or, (ii) (as the case may be) evidence of a third party independent valuation obtained by the proposing transferor valuing the Shares subject to the transfer notice at a price no less than the price specified in the transfer notice;

- d) contain a statement to the effect that the Shares are either being offered to potential transferees at the lower of the price specified by the proposing transferor and (if applicable) its fair value certified in accordance with paragraph 1.3 or, as the case may be, determined by the proposing transferor but only if the proposing transferor has received a bona fide arms length independent offer valuing the shares subject to the transfer notice(s) at a price no less than the price specified in the transfer notice;
- e) state the period in which the offer may be accepted if no such certificate of fair value is appropriate because the proposing transferor has received a bona fide arms length valuation from an independent third party (not being less than twenty-two days or more than forty-two days after the date of the pre-emptive notice and subject to being extended pursuant to paragraph 1.3);
- f) contain a statement to the effect that, if such a certificate of fair value is appropriate and is requested, the offer will remain open for acceptance until the expiry of a period of fourteen days commencing on the date of the notice of the certified fair value given to potential transferees pursuant to paragraph 1.3 or until the expiry of the period referred to in paragraph 1.2(e) whichever is the later; and
- g) contain a statement that the offer is conditional upon acceptance of the offer in respect of all the Shares comprised or deemed as provided for in paragraph 1.9 to be comprised in the transfer notice.

For the purpose of this paragraph an offer shall be deemed to be accepted on the day on which the acceptance is received by the Company and may, if so specified in the acceptance, be accepted by a potential transferee in respect of a lesser number of Shares than his full proportionate entitlement. If all the potential transferees to whom the Shares are offered in priority under paragraph 1.2(b) do not accept the offer in respect of their respective proportions in full the Shares not so accepted shall be used to satisfy any claims for additional Shares (notified in response to the invitation referred to in paragraph 1.2(b)) made by other potential transferees to whom the offer was made in priority as nearly as may be in proportion to the number of Shares of the relevant class already held by those potential transferees claiming additional Shares. Subject thereto, any remaining Shares shall be allocated amongst potential transferees holding Shares of the other classes who have applied for them, first in satisfying their applications for Shares up to their respective proportionate entitlements, and second in satisfying their applications for additional Shares, as nearly as may be in proportion to the number of Shares of the relevant classes held by them. No potential transferee shall be obliged to take more Shares than he shall have applied for. If any Shares shall not be capable of being offered to the potential transferees in proportion to their existing holdings, except by way of fractions, the same shall be offered to the potential transferees, or some of them, in such proportions as the Board may think fit.

1.3

Any potential transferee may, not later than eight days after the date of the pre-emptive notice, serve on the Company a notice in writing requesting that an Independent Accountant certify in writing the sum which in his opinion represents the fair value of a Share of each class comprised in the transfer notice as at the date of the transfer notice and the resulting fair value per Share.

Provided that the Company shall not be required to comply with such notice if the proposing transferor has already received and notified the Company at the time of

serving the transfer notice(s) of a bona fide arms length independent third party offer valuing the Shares the subject of the transfer notice(s) at a price no less than the price specified in the transfer notice unless and until it is established that the proposing transferor has not received a bona fide arms length independent third party offer valuing the Shares the subject of the transfer notice(s) at a price no less than the price specified in the transfer notice. The proposing transferor shall make available on request by the Board or any potential transferee or any resolution of the "A" Directors or the "B" Directors such evidence as may be reasonably requested by them to verify such offer and so that the time period referred to in paragraph 1.2(e) shall be deemed to be extended by the time between such request being made and such evidence being produced.

Forthwith upon receipt of such notice and agreement as to the Independent Accountant the Company shall instruct the Independent Accountant to certify as aforesaid. In certifying the fair value as aforesaid the Independent Accountant shall be entitled to obtain professional valuations in respect of any of the Company's assets and shall undertake such valuations on the following assumptions and bases or as otherwise required by this Agreement:-

- a) he shall value the Shares of each class comprised or deemed to be comprised in a transfer notice as on an arms length sale between a willing vendor and a willing purchaser;
- b) if the Company is carrying on business as a going concern, on the assumption that it will continue to do so;
- c) that the Shares comprised or deemed to be comprised in a transfer notice are capable of being transferred without restriction; and
- d) they shall value the Shares:
 - i) in the case of ordinary shares as a rateable proportion of the total value of the Company after deduction of the Preference Share Value (as defined below) which proportion shall not be discounted or enhanced by reference to the number of Shares transferred and treating each ordinary share and each as having the same value;
 - ii) in the case of Preference Shares as a rateable proportion of the aggregate nominal value of the Preference Shares plus the amount of any premium paid thereon plus the amount of any unpaid or accrued dividends or sum equivalent to interest thereon (the "Preference Share Value") or in the event that the total value of the Company is less than the Preference Share Value at such total value of the Company.

Forthwith upon receipt of the certificate of the Independent Accountant, the Company shall by notice in writing inform all potential transferees of the certified fair value of each Share and the resulting price per Share (being the lower of the price specified in the transfer notice and the certified fair value of each Share) at which the Shares comprised in the transfer notice are offered for sale.

1.4 If purchasing potential transferees shall be found for all the Shares comprised in

the transfer notice within the appropriate period specified in paragraph 1.2, the Company shall not later than seven days after the expiry of such appropriate period give notice in writing (hereinafter in this Schedule called "the sale notice") to the proposing transferor specifying the purchasing potential transferees and the proposing transferor shall be bound upon payment of the price due in respect of all the Shares comprised or deemed to be comprised in the transfer notice to transfer the Shares to the purchasing potential transferees.

- 1.5 If in any case the proposing transferor after having become bound in accordance with the provisions of this paragraph 1 to transfer Shares makes default in transferring any such Shares the Company may receive the purchase money on his behalf and may authorise some person to execute a transfer of such Shares on behalf of and as attorney for the proposing transferor in favour of the purchasing potential transferees. The receipt of the Company for the purchase money shall be a good discharge to the purchasing potential transferees. The Company shall pay the purchase money into a separate bank account and shall hold the same on trust for the proposing transferor.
- 1.6 If the Company shall not give a sale notice to the proposing transferor within the time specified for that purpose in paragraph 1.4 in respect of sales to potential transferees holding Shares of whatever class, he shall, during the period of one hundred and twenty days next following the expiry of the time so specified, be at liberty to transfer Shares all but not some only of the Shares comprised or deemed to be comprised in the transfer notice to any person or persons PROVIDED THAT the price per Share obtained upon such transfer shall in no circumstances be less than the price specified for Shares of the relevant class specified in the transfer notice or as certified in accordance with paragraph 1.3 (whichever shall be the lower) and provided further that in the event that the proposing transferor has notified the Company pursuant to paragraph 1.3 of such third party offer, such sale may only be to such third party so notified and the proposing transferor shall upon request by the Board or any potential transferee or upon a resolution of either the "A" Directors or the "B" Directors furnish such information to the person making the request as they shall require (with copies to the Board if it has not made the request) in relation to the price per Share obtained as aforesaid. The Board shall be satisfied that such Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer without deduction, rebate or allowance whatsoever to the purchaser, and if not so satisfied, shall refuse to register the instrument of transfer.
- 1.7 No transfer of "A" shares or "B" shares or Preference Shares shall be made (whether or not pursuant to paragraph 1.13) unless and until a Supplemental Deed has been executed in accordance with the Subscription Agreement. Further no member shall transfer any Shares (whether or not pursuant to paragraph 1.13) nor permit any of the matters in paragraph 1.10 (a) to 1.10 (c) (inclusive) if the effect thereof, after notification to or from and consultation with the appropriate authorities would constitute a breach of the terms of or would be likely to give rise to the revocation or, to the extent the same has any material adverse consequences, variation or modification of any licence or consent granted to or refusal of any application for a licence or consent made by the Company or any subsidiary of the Company under the Broadcasting Act 1990, the Telecommunications Act 1984, the Cable and Broadcasting Act 1984 and remaining in force pursuant to the Broadcasting Act 1990 or the Wireless Telegraphy Acts 1949-1967 (or any

statutory modifications or re-enactments thereof) or under any enactment or regulation now or hereafter (as applicable) in respect of the business of the Company or any subsidiary of the Company, whether such effect is occasioned by reason of the identity of the recipient or by reason of the number of Shares involved or for any other reason.

- 1.8 Any transfer or purported transfer of a Share (other than upon transmission of a Share pursuant to requisition 29 of Table A upon the death of a member or upon a person becoming entitled to a Share in consequence of the bankruptcy of a member) made otherwise than in accordance with the foregoing provisions of paragraphs 1.1 to 1.7 (inclusive) or paragraph 1.13 (subject to the provisions of paragraph 1.7) shall be null and void and of no effect.
- 1.9 If and when required by notice in writing by the holder or holders of (in aggregate) a majority in nominal value of the "A" shares and the "B" shares (other than those shares the subject of the notice) in the Company so to do (the "call notice"):
- a) a member who transfers or purports to transfer any Share in the Company in breach of the foregoing provisions of these paragraphs shall be bound to give a transfer notice in accordance with paragraph 1.1; or
 - b) a person entitled to a share in consequence of the bankruptcy or liquidation of a "non-voting" Shareholder shall be bound to give a transfer notice in accordance with paragraph 1.1 of all the shares then registered in the name of the member who is bankrupt or in liquidation;
 - c) a person entitled to a share in consequence of the death of a "non-voting" Shareholder or the personal representatives of a deceased "non-voting" Shareholder as the case may be must before the expiration of six months from the date of such death give a transfer notice in accordance with paragraph 1.1 in respect of all the shares registered in the name of the deceased member at the date of his death;
 - d) a "non-voting" Shareholder who has contracted directly or indirectly to render services to the Company or any member of the Group and ceases to render services under that contract for any reason, (and any successor(s) in title to any shares (or any interest in shares) previously held by him) shall be bound to give (a) transfer notice(s) in accordance with paragraph 1.1 in respect of all the shares then registered in the name of such member and in respect of all the shares in which such member is then interested and all such shares then held by each successor in title, or in which each successor in title is interested as the case may be;
 - e) a "non-voting" Shareholder who is at any time an employee or a director of the Company or any member of the Group and who ceases to be such an employee or director, he, and any successor(s) in title to any shares (or any interest in shares) previously held by him shall be bound to give (a) transfer notice(s) in accordance with paragraph 1.1 in respect of all the shares then registered in the name of such member and in respect of all the shares in which such member is then interested and all such shares then held by each successor in title, or in which each successor in title is interested as the case may be. A member shall not be treated for this purpose as ceasing to be a director or employee of the Company or any member of the Group until such time as his office or employment terminates (or has been requested by the board of the relevant company to resign as a director of any such company);

- f) following any "non-voting" Shareholder who is not (or who has ceased to be) either a person who has contracted directly or indirectly to render services to or an employee or director of the Company or any member of the same Group as the Company acquiring shares which were issued or transferred to him pursuant to or in respect of rights or interests held by such "non-voting" Shareholder, he and any successor(s) in title to any shares (or any interest in shares) previously held by him shall be bound to give (a) transfer notice(s) in accordance with paragraph 1.1 in respect of all the shares then registered in the name of such member and in respect of all the shares in which such member is then interested and all such shares then held by each successor in title, or in which each successor in title is interested as the case may be;
- g) a member who causes or permits any of the events specified in paragraph 1.10 or with regard to whom any of the events specified in paragraph 1.10 (d) occurs shall be bound to give a transfer notice in accordance with paragraph 1.1;

unless and to the extent that a valid transfer has been made pursuant to paragraph 1.13 and has been lodged for registration. In the event of such member or person failing to serve a transfer notice pursuant to this paragraph 1.9 within thirty days of the date of the call notice such member or person shall be deemed to have given a transfer notice at the expiration of such period of thirty days and to have specified therein as the price per Share the fair value of each Share to be certified in accordance with paragraph 1.3. The provisions of paragraphs 1.2 to 1.6 (inclusive) and paragraph 1.11 shall mutatis mutandis apply.

1.10 The events specified for the purposes of paragraph 1.9 (g) are:

- a) any direction (by way of renunciation nomination or otherwise) by a member entitled to an allotment or transfer of Shares to the effect that such Shares or any of them be allotted or issued or transferred to some person other than himself;
- b) any sale, dealing with or other disposition of any beneficial interest in a Share (whether or not for consideration or otherwise but, subject to 1.9(b) and (c), excluding any transmission of a Share to any person becoming entitled to such Share in consequence of the death or bankruptcy of a member) by whomsoever made and whether or not effected by an instrument in writing save where the disposition is by service of a transfer notice in accordance with this Schedule;
- c) the holding of a Share as a bare nominee for any person;
- d) in the case of a corporate member, such member entering into liquidation (except a members' voluntary liquidation for the purpose of reconstruction or amalgamation) or suffering an administrative receiver to be appointed over all or any of its assets or suffering an administration order to be made against it or anything analogous to any of the foregoing under the law of any jurisdiction occurs in relation to that corporate member;

1.11 The Board may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer which would otherwise be permitted under the foregoing provisions of this Schedule if it is a transfer of a Share on which the Company has lien or of a Share (not being a fully paid Share) to a person who is not already a member and of whom they shall not approve and shall refuse

registration if it is a transfer prohibited by paragraph 1.7. The Board may also refuse to register a transfer unless:-

- a) it is lodged at the office or at such other place as the Board may appoint and is accompanied by the certificate for the Share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- b) it is in respect of only one class of Shares; and
- c) it is in favour of not more than four transferees.

The Board shall register a transfer of Shares made pursuant to paragraphs 1.1 to 1.6 (inclusive) or paragraph 1.13 subject to the provisions of paragraph 1.7 and this paragraph 1.11. Regulation 24 of Table A shall not apply to the Company.

1.12 The provisions of paragraphs 1.1 to 1.9 (inclusive) may be waived in any particular case if all the holders of the "A" shares and "B" shares give their consent in writing.

1.13 Notwithstanding any other provisions contained in these paragraphs the restrictions on transfer contained in this Schedule shall not apply to any transfer of all or part of a shareholder's Shares (of whatever class):-

- a) by a corporate member to an associate or by a member of the Virgin Group to a member of the Virgin Group or by a member of the IC Group to a member of the IC Group provided always that if the transferee subsequently ceases to be an associate of the transferor's ultimate holding company or a member of the Virgin Group or the IC Group (as the case may be) the transferee shall, within thirty days of the date of a notice in writing given by the holder or holders of a majority in nominal value of the other Shares (of whatever class) in the Company requiring it so to do, serve a transfer notice. In the event of such transferee failing to serve a transfer notice where required to do so within such thirty day period it shall be deemed at the end of such thirty day period to have given a transfer notice in respect of all Shares so transferred and to have specified therein as the price per Share the fair value of each Share to be certified in accordance with paragraph 1.3 and the provisions of paragraphs 1.2 to 1.6 (inclusive) and paragraph 1.11 shall mutatis mutandis apply;
- b) by a corporate member to a company incorporated in and resident in the United Kingdom formed to acquire the whole or substantially the whole of the undertaking and assets of such corporate member as part of a scheme of amalgamation or reconstruction;
- c) resulting from the exercise of rights under or in accordance with clauses 10, 14.6, 14.7, 14.8, and 19 of the Subscription Agreement;
- d) resulting from the exercise of rights or in accordance with this Schedule

provided that (i) it is proved to the satisfaction of the Board that the transfer bona fide falls within one of these exceptions; and (ii) except where the transfer is by IC to any associate of it resident outside the UK for tax purposes the transfer of the Shares to the transferee shall not cause the Company to cease to be owned by a

consortium for the purposes of Section 402 or 247 ICTA; and (iii) except where the transfer is by IC to any associate of it resident outside the UK for tax purposes the transferee at the time of the transfer is resident in the UK for UK tax purposes and receives the Shares as an investment.

- 1.14 Notwithstanding any other provision of this Schedule any member who in relation to any transfer or purported transfer of Shares is in breach of this Schedule or who has caused or permitted any of the events specified in paragraphs 1.10(a) to 1.10(c) (inclusive) shall cease to be entitled to the rights attaching to all Shares held by him in the Company until such time as the breach has been rectified.
- 2 If any Share of any class, other than a “non-voting” share or a Preference Share, is transferred pursuant to any of the provisions of this Schedule to a member holding Shares of a different class, such Share shall at the time of registration of the transfer of that Share in the register of members of the Company be ipso facto redesignated as a Share of the same class as a those already held by that member.
- 3 For the purposes of ensuring that a transfer of Shares is permitted pursuant to the provisions of these paragraphs or that no circumstances have arisen whereby a transfer notice may be required to be given, the Board may from time to time require any member or any person named as transferee in any transfer lodged for registration to furnish to the Company such information and evidence as the Board may think fit regarding any matter which they may deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Board within a reasonable time after request, the Board shall be entitled to refuse to register the transfer in question or (in case no transfer is in question) to require by notice in writing that a transfer notice be given in respect of the Shares concerned. In any case where the Board have duly required by notice in writing a transfer notice to be given in respect of any Shares and such transfer notice is not duly given within a period of thirty days from such notice such transfer notice shall be deemed to have been given at the end of the period of thirty days and such transfer notice shall be deemed to specify as the price per Share the fair value of each Share to be certified in accordance with paragraph 1.3 and the provisions of paragraphs 1.2 to 1.6 (inclusive) and paragraph 1.11 shall mutatis mutandis apply.
- 4.1 If the effect of any transfer or series of transfers on the same date of Shares by Virgin or any member of the Virgin Group other than to a member of the Virgin Group would, if completed, be to enable any person or persons connected with each other or persons acting in concert with each other:
- (a) to obtain Control over that number of Shares which in aggregate confer 37.5 per cent or more of the voting rights normally exercisable at general meetings of the Company (excluding any Shares that such transferee(s) may hold prior to such transfer or transfers); or
 - (b) to obtain Control over 37.5 per cent in nominal value of the ordinary shares then in issue (excluding any Shares that such transferee(s) may hold prior to such transfer or transfers);
- Virgin may at its option procure the making by the proposed transferee (or in the case of transferees the transferee(s)) of Virgin’s Shares or the Shares of the relevant member of the Virgin Group (as the case may be) of an Appropriate Offer

to the "non-voting" Shareholders prior to the making and registration of the appropriate transfer(s). In the case that there is more than one transferee making the Appropriate Offer then each such transferee shall pursuant to the Appropriate Offer, offer to acquire the same percentage of the "non-voting" Shareholders shares as the percentage of the Virgin Group's Shares it proposes to acquire from the Virgin Group. The "non-voting" Shareholders in the event of and on receipt of an Appropriate Offer shall be bound within 21 clear days of the date of such offer (which date shall be specified therein) to accept such offer in writing (and in default of so doing shall be deemed to have accepted the offer). Until such Appropriate Offer has been made and completed the Board shall not sanction the making and registration of the relevant transfer(s). Virgin shall notify the "non-voting" Shareholders of the proposed transfer(s) at least 7 days before there is submitted to the Board the transfer or, as the case may be, any of the relevant transfer(s) for registration.

- 4.2 In the event that any "non-voting" Shareholder fails to accept the Appropriate Offer made to him pursuant to paragraph 4.1 or, having accepted such offer, fails to complete the sale of any of his "non-voting" shares pursuant to the offer or otherwise, or fails to take any action required of it under the terms of such offer, the Directors (or any of them) may authorise some person to accept the offer on behalf of that "non-voting" Shareholder or undertake any action required under the terms of the offer on his part. The Directors may in particular authorise some person to execute a transfer of any "non-voting" shares in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such shares and may register the offeror (or its nominee) as holder thereof and issue to it (or as it may direct) certificates for the same whereupon the offeror (or its nominee) shall be indefeasibly entitled thereto. A "non-voting" Shareholder shall in such case be bound to deliver up its certificate for its "non-voting" shares to the Company whereupon such shareholder shall be entitled to receive the consideration for such shares, which consideration shall in the meantime be held by the Company on trust for such person but without interest.
- 4.3 If any person (other than the proposed transferee(s) referred to in paragraph 4.1) acquires "non-voting" shares after the making of an Appropriate Offer then an offer shall be made on the same terms as the Appropriate Offer to such person and such offer shall be made notwithstanding the obtaining of Control referred to in paragraphs 4.1(a) or 4.1(b) having occurred and the provisions of paragraph 4.2 shall apply to such offer.
- 5 For the purposes of paragraph 4:-
 - (a) "Appropriate Offer" shall mean an unconditional offer, open for acceptance for not less than 21 clear days, to purchase the "non-voting" shares held by the recipients of an Appropriate Offer for a consideration in cash or with a cash alternative equal to the highest price per share (exclusive of stamp duty, stamp duty reserve tax and commission) paid or to be paid by any person or persons referred to in paragraph 4 for the ordinary shares (inclusive of the shares giving rise to the obligation to make the Appropriate Offer) plus such further amount equal to any other consideration (in cash or otherwise) received or receivable by the holders of such shares which, having regard to the substance of the transaction as a whole, can reasonably be regarded as an addition to the price per share paid or payable for such shares; and

(b) "Control" shall mean the right by virtue of holding shares in, or the possession of voting power in or in relation to, the Company (other than Preference Shares) or any body corporate to exercise or procure the exercise of the voting rights attached to the relevant shares.

- 6.1 If at any time either the holders of the "A" shares or the holders of the "B" shares ("the Specified Members") propose to sell a majority of either of their holdings of ordinary shares ("the Specified Shares") to a single purchaser or a number of purchasers who are connected with each other or are acting in concert with each other and who is/are not a member(s) of the Virgin Group or the IC Group ("the Proposed Purchaser") and such sale(s) would result in a change in Control of the Company then the Specified Members may make such sale if (and only if) they shall have procured that the Proposed Purchaser (or a person connected or associated with the Proposed Purchaser) shall make a Sale Offer (as defined in paragraph 7 below) to acquire all of the issued "non-voting" shares (excluding the Specified Shares and any "non voting" shares already held by the Proposed Purchaser or any such connected or associated person).
- 6.2 If paragraph 6.1 applies, the Specified Members shall have the right ("the Drag Along Option"), exercisable by the Specified Members giving notice to that effect (the "Drag Along Notice") to the holders of all of the remaining issued "non-voting" shares requiring them to accept the offer made to them pursuant to paragraph 6.1. A Drag Along Notice, once given, shall be irrevocable but both the notice and/or obligations under the notice shall lapse if for any reason the transfer of the Specified Shares is not completed within 60 days from the service of the Drag Along Notice. Completion of the relevant sale shall take place on the date and at the place at which the sale of the Specified Shares shall be completed.
- 6.3 In the event that any "non-voting" Shareholder fails to accept the Sale Offer made to him pursuant to paragraph 6.1 or, having accepted such offer, fails to complete the sale of any of his "non-voting" shares pursuant to the offer or otherwise, fails to take any action required of it under the terms of such offer, the Directors (or any of them) may authorise some person to accept the offer on behalf of that "non-voting" shareholder or undertake any action required under the terms of the offer on his part. The Directors may in particular authorise some person to execute a transfer of any "non-voting" shares in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such shares and may register the offeror (or its nominee) as holder thereof and issue to it (or as it may direct) certificates for the same whereupon the offeror (or its nominee) shall be indefeasibly entitled thereto. A "non-voting" Shareholder shall in such case be bound to deliver up its certificate for its "non-voting" shares to the Company whereupon such shareholder shall be entitled to receive the consideration for such shares, which consideration shall in the meantime be held by the Company on trust for such person but without interest.
- 6.4 If any person acquires "non-voting" shares (other than the Proposed Purchaser) after the making of a Sale Offer then an offer shall be made on the same terms as the Sale Offer to such person and such offer shall be made notwithstanding that the sale of the Specified Shares may have been effected and the provisions of paragraphs 6.2 and 6.3 shall apply to such offer save that in the event a Drag Along Notice is served after completion of the transfer of the Sale Shares then completion of the relevant sale shall take place within 30 days of the service of a

Drag Along Notice.

7

For the purposes of paragraph 6 above:-

- (a) "Sale Offer" shall mean an unconditional offer, open for acceptance for not less than 21 clear days, to purchase the "non-voting" shares held by the recipients of the Sale Offer for a consideration in cash or with a cash alternative equal to the average price per share (exclusive of stamp duty, stamp duty reserve tax and commission) paid or to be paid by the Proposed Purchaser for the Specified Shares plus such further amount equal to any other consideration (in cash or otherwise) received or receivable by the holders of such Specified Shares which, having regard to the substance of the transaction as a whole, can reasonably be regarded as an addition to the average price per share paid or payable for the Specified Shares; and
- (b) "Control" shall have the same meaning as in section 840 of the Income and Corporation Taxes Act 1988.