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COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

-of-

VIRGIN RAIL GROUP LIMITED

(Adopted by Special Resolution passed
on 17 March 2000)



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INTRODUCTION

- 1.1 The Regulations contained or incorporated in Table A in the Schedule to The Companies (Tables A to F) Regulations 1985 as amended by The Companies (Tables A to F) Amendment Regulations 1985 ("Table A") shall apply to the Company, save insofar as they are varied or excluded by, or are inconsistent with, the following Articles.
- 1.2 In Regulation 1 of Table A, the words "and in Articles of Association adopting the same" shall be inserted after the word "regulations" in the last paragraph of that Regulation and the sentence "Any reference to any statutory provision shall be deemed to include a reference to each and every statutory amendment, modification, re-enactment and extension thereof for the time being in force" shall be inserted at the end of that Regulation.
- 1.3 Regulations 46, 54, 62, 73 to 77 (inclusive), 80, 82, 89, 94 to 98 (inclusive) and 118 of Table A shall not apply to the Company.

DEFINITIONS

- 2 In these Articles the following words and expressions shall have the following meanings:-
- "A" Ordinary Shares:** "A" Ordinary Shares of 10 pence each in the capital of the Company.
- the Board:** the Board of Directors of the Company;
- "B" Ordinary Shares:** "B" Ordinary Shares of 10p each in the capital of the Company;
- "B" Share Fraction:** the fraction where (i) the numerator is the total number of "B" Ordinary Shares in issue and (ii) the denominator is the aggregate of the total number of "B" Ordinary Shares in issue, the total number of Employee Non

Voting Shares in issue and the number of "C" Notional Shares;

"C" Notional Shares: the number resulting from multiplying (i) the total number of "B" Ordinary Shares in issue by (ii) the fraction where the numerator is 51 and the denominator is 49;

"C" Notional Share Fraction: the fraction where (i) the numerator is the total number of "C" Notional Shares and (ii) the denominator is the aggregate of the total number of "B" Ordinary Shares in issue, the total number of Employee Non Voting Shares in issue and the number of "C" Notional Shares;

"C" Ordinary Shares: "C" Ordinary Shares of 10 pence each in the capital of the Company;

"C" Share Fraction: the fraction where (i) the numerator is the total number of "C" Ordinary Shares in issue and (ii) the denominator is the aggregate of the total number of "C" Ordinary Shares in issue and the total number of "D" Ordinary Shares in issue;

"D" Shareholders: the holders of the "D" Ordinary Shares;

"D" Share Fraction: the fraction where (i) the numerator is the total number of "D" Ordinary Shares in issue and (ii) the denominator is the aggregate of the total number of "C" Ordinary Shares in issue and the total number of "D" Ordinary Shares in issue;

"D" Ordinary Shares: "D" Ordinary Shares of 10 pence each in the capital of the Company;

Employee: an individual who is employed by the Company or any of its subsidiaries or an individual whose services are made available to the Company or any of its subsidiaries under the terms of an agreement between the Company or any of its subsidiaries and such individual or any other person (and "contract of employment" shall be construed accordingly to include such an agreement);

Employee Non Voting Shares: the Employee Non Voting Ordinary Shares of 10p each in the capital of the Company;

Employee Share Fraction: the fraction where (i) the numerator is the total number of Employee Non Voting Shares in issue and (ii) the denominator is the aggregate of the total number of "B" Ordinary Shares in issue, the total number of Employee Non Voting Shares in issue and the number of "C" Notional Shares;

Employee Non Voting Shareholders: the holders of Employee Non Voting Shares;

Franchise Agreements: the Franchise Agreement dated 28 November 1996 expressed to be made between OPRAF (1) the Company (2) and (from 5 January 1997) CrossCountry Trains Limited (3) relating to the services for carriage of passengers by railway provided by CrossCountry Trains Limited, as amended from time to time, and the Franchise Agreement dated 19 February 1997 expressed to be made between OPRAF (1) the Company (2) and (from 9 March 1997) West

Coast Trains Limited (3) relating to the services for the carriage of passengers by railway to be provided by West Coast Trains Limited, as amended from time to time;

Group: the Company and each company which is for the time being a subsidiary undertaking of the Company;

Holder: in relation to shares means the member whose name is entered in the register of members as the holder of shares or, as the case may be, the bearer of a share warrant representing such shares (and the definition of holder in Table A shall not apply);

Listing: the admission of the issued ordinary shares of the Company to the Official List of The London Stock Exchange Limited or the grant of permission for any of the ordinary shares of the Company to be dealt in on the Alternative Investment Market or (subject to the agreement of the Stagecoach Shareholders and the Virgin Shareholder Majority) the admission of ordinary shares in the Company to dealings on any other recognised investment exchange, as such term is defined for the purposes of the Financial Services Act 1986;

the Loan Stock: the £25,000,000 unsecured loan stock of the Company constituted by the Loan Stock Instrument dated 7 March 1997, as amended from time to time;

Loan Stock Instrument: the Instrument constituting the Loan Stock;

OPRAF: the Director of Passenger Rail Franchising, or such other person, body or authority in whom the rights, obligations and discretions presently conferred on *the Director of Passenger Rail Franchising under the terms of the Franchise Agreements* may from time to time be vested;

ORR: the Rail Regulator appointed under section 1 of the Railways Act 1993, or such other person in whom the powers presently vested in the Rail Regulator under the terms of the operating licences held by West Coast Trains Limited and CrossCountry Trains Limited may from time to time be vested;

Sale: a sale of the whole or a substantial part of the business, assets and undertaking of the Group taken as a whole or the completion of an agreement for the purchase of all of the Shares to any person, or to any group of persons acting in concert or connected with each other (to the extent not already owned by the purchaser or persons acting in concert or connected with the purchaser, but save that for this purpose parties to the Shareholders Agreement shall not be treated as acting in concert, or connected, with each other by virtue solely of being parties to that agreement);

Shares: shares of any class in the capital of the Company;

Shareholders: the Virgin Shareholders, the Stagecoach Shareholders and the Employee Non Voting Shareholders;

Shareholder Loans: loans made to the Company in accordance with Clause 4 of the Shareholders Agreement;

Shareholders Agreement: the Shareholders Agreement relating to the Company made between Plough Investments Limited and Others (1) Stagecoach Holdings PLC (2) and the Company (3) dated 22 June 1998 as amended and adhered to from time to time;

Stagecoach: Stagecoach Holdings PLC (registered number 100764) whose registered office is at 10 Dunkeld Road, Perth, Scotland PH1 5TW;

Stagecoach Affiliate: any company which is for the time being a subsidiary of Stagecoach;

the Stagecoach Director: the Director of the Company from time to time appointed to the Board pursuant to Article 20.1;

Stagecoach Shareholders: Stagecoach and any Stagecoach Affiliate holding Shares from time to time;

the Virgin Director: the Director of the Company from time to time appointed to the Board pursuant to Article 20.2;

Virgin Shareholder: any holder of "C" Ordinary Shares and/or "D" Ordinary Shares from time to time;

Virgin Shareholder Majority: Virgin Shareholders holding a majority (by nominal value) of the aggregate of the issued Virgin Shares;

Virgin Shares: "C" Ordinary Shares and/or "D" Ordinary Shares, as the case may be;

Voting Shareholders: the holders of "B" Ordinary Shares, the holders of "C" Ordinary Shares and the holders of "D" Ordinary Shares;

Voting Shares: "B" Ordinary Shares and/or "C" Ordinary Shares and/or "D" Ordinary Shares, as the case may be;

SHARE CAPITAL

- 3 The share capital of the Company at the date of adoption of these Articles is 6,170,068 divided into 20,000,000 "A" Ordinary Shares, 20,000,000 "B" Ordinary Shares, 19,500,000 "C" Ordinary Shares, 500,000 "D" Ordinary Shares and 1,700,680 Employee Non Voting Shares.

SHARE RIGHTS

- 4 The "A" Ordinary Shares, "B" Ordinary Shares, "C" Ordinary Shares, "D" Ordinary Shares and the Employee Non Voting Shares shall have, and be subject to, the following rights and restrictions:-

4.1 **Income**

As regards any dividends and other income distributions declared, made or paid in respect of Shares ("Income"):

- 4.1.1 The "C" Ordinary Shares shall confer upon the holders the right to receive, in aggregate, the result of multiplying the "C" Notional Share Fraction of the Income by the "C" Share Fraction and as between such holders, in proportion to the number of "C" Ordinary Shares held by each of them;
- 4.1.2 The "B" Ordinary Shares shall confer upon the holders the right to receive, in aggregate, the "B" Share Fraction of the Income and as between such holders, in proportion to the number of "B" Ordinary Shares held by each of them;
- 4.1.3 The "D" Ordinary Shares shall confer upon the holders the right to receive, in aggregate, the result of multiplying the "C" Notional Share Fraction of the Income by the "D" Share Fraction and as between such holders, in proportion to the number of "D" Ordinary Shares held by each of them;
- 4.1.4 The Employee Non Voting Shares shall confer upon the holders the right to receive, in aggregate, the Employee Share Fraction of the Income and as between such holders, in proportion to the number of Employee Non Voting Shares held by each of them;
- 4.1.5 No dividend or distribution shall be declared, made or paid in respect of such Shares at any time whilst any amount remains outstanding in respect of the Loan Stock and/or Shareholder Loans.

4.2 **Capital**

Subject to Article 4.5, on a return of capital on liquidation or otherwise the surplus assets of the Company remaining after payment of its liabilities ("Capital") shall be distributed as set out below:

- 4.2.1 The "C" Ordinary Shares shall confer upon the holders the right to receive, in aggregate, the result of multiplying the "C" Notional Share Fraction of the Capital by the "C" Share Fraction and as between such holders, in proportion to the number of "C" Ordinary Shares held by each of them;
- 4.2.2 The "B" Ordinary Shares shall confer upon the holders the right to receive, in aggregate, the "B" Share Fraction of the Capital and as between such holders, in proportion to the number of "B" Ordinary Shares held by each of them;
- 4.2.3 The "D" Ordinary Shares shall confer upon the holders right to receive, in aggregate, the result of multiplying the "C" Notional Share Fraction of the Capital by the "D" Share Fraction and as between such holders, in proportion to the number of "D" Ordinary Shares held by each of them;
- 4.2.4 The Employee Non Voting Shares shall confer upon the holders the right to receive, in aggregate, the Employee Share Fraction of the Capital and as between such holders, in proportion to the number of Employee Non Voting Shares held by each of them.

4.3

Conversion

4.3.1

Upon a Listing, each Share, save for the "A" Ordinary Shares, (whether in issue or forming part of the Company's authorised but unissued share capital) will automatically be converted into, and redesignated as, an Ordinary Share of 10p (together "Ordinary Shares"), having equivalent rights to those attaching to the "B" Ordinary Shares under the terms of these Articles (other than this Article 4.3), or a Deferred Share of 10p (together "Deferred Shares") having the rights set out in Article 4.3.1.10, such conversion being in the proportions and on the terms set out below:

- 4.3.1.1 each "C" Ordinary Share in issue will convert into one Ordinary Share;
- 4.3.1.2 each "D" Ordinary Share in issue will convert into one Ordinary Share;
- 4.3.1.3 a number of the "B" Ordinary Shares in issue will convert into an equal number of Ordinary Shares, which number will be determined by multiplying (i) the aggregate of the number of the Ordinary Shares into which the issued "C" Ordinary Shares and the issued "D" Ordinary Shares convert (under Articles 4.3.1.1 and 4.3.1.2 above) by (ii) the fraction where the numerator is 49 and the denominator is 51, provided that where the number calculated in accordance with the foregoing is a fraction it will be rounded up to the nearest whole number;
- 4.3.1.4 the number of "B" Ordinary Shares in issue immediately prior to conversion less the number determined to be converted in accordance with Article 4.3.1.3, will be converted into an equal number of Deferred Shares;
- 4.3.1.5 a number of the Employee Non Voting Shares in issue will convert into an equal number of Ordinary Shares, which number will be determined by multiplying the total number of Employee Non Voting Shares in issue immediately prior to conversion by the fraction where (i) the numerator is the number of Ordinary Shares into which issued "B" Ordinary Shares convert in accordance with Article 4.3.1.3 and (ii) the denominator is the number of "B" Ordinary Shares in issue prior to conversion, provided that where the number calculated in accordance with the foregoing is a fraction it will be rounded up to the nearest whole number;
- 4.3.1.6 the number of Employee Non Voting Shares in issue immediately prior to conversion less the number determined to be converted in accordance with Article 4.3.1.5, will be converted into an equal number of Deferred Shares;
- 4.3.1.7 each holder of "B" Ordinary Shares shall be entitled, in respect of the number of "B" Ordinary Shares held by it immediately prior to conversion to receive, on conversion, (as nearly as possible) a

proportionate whole number of the Ordinary Shares and Deferred Shares calculated in accordance with Articles 4.3.1.3 and 4.3.1.4;

4.3.1.8 each holder of Employee Non Voting Shares shall be entitled, in respect of the number of Employee Non Voting Shares held by it immediately prior to conversion to receive, on conversion, (as nearly as possible) a proportionate whole number of the Ordinary Shares and Deferred Shares calculated in accordance with Articles 4.3.1.5 and 4.3.1.6;

4.3.1.9 each unissued Share will convert into one Ordinary Share;

4.3.1.10 the Deferred Shares shall not entitle the holders of such shares to any Income; to any Capital (unless not less than £1,000 million has been distributed on a return of capital on liquidation or otherwise to the holders of Ordinary Shares); or to vote at or attend any General Meeting of the Company.

4.3.2 On a Sale, each "D" Ordinary Share held by a Virgin Shareholder will automatically convert into, and be redesignated as, a "C" Ordinary Share.

4.4 **Voting**

4.4.1 Subject to any special rights or restrictions as to voting attached to any Shares, no vote shall be taken on a show of hands and on a poll every holder of a Voting Share (who is present in person or by proxy or (being a corporation) by a representative) shall have a number of votes determined as follows-

4.4.1.1 the "B" Ordinary Shares shall confer upon the holders thereof one vote for every "B" Ordinary Share;

4.4.1.2 the "C" Ordinary Shares and the "D" Ordinary Shares shall confer upon the holders thereof, in aggregate, such number of votes as shall equal 51 per cent. of the total number of votes attaching to all Voting Shares (such votes being divided, as between such holders in proportion to the numbers of "C" Ordinary Shares and "D" Ordinary Shares held by each of them, as if the "C" Ordinary Shares and the "D" Ordinary Shares were one class of share).

4.4.2 The holders of Employee Non Voting Shares shall not be entitled to attend, nor to vote at, any General Meeting of the Company in respect of the Employee Non Voting Shares held by them.

4.5 **"A" Ordinary Shares**

The "A" Ordinary Shares shall have equivalent rights to those attaching to the Deferred Shares as set out in Article 4.3.1.10 which for these purposes shall apply as if the reference to Ordinary Shares in the Articles was a reference to all shares in the Company other than "A" Ordinary Shares..

4.6 **Restrictions on Share Rights**

- 4.6.1 If any Share or Shares, or any interest in a Share or Shares, is transferred or disposed of in breach of these Articles or of the Shareholders Agreement, until such breach is remedied the Share or Shares in question shall not carry the right to receive dividends or other income distributions and shall not entitle the holder or holders thereof to cast votes at general meetings or at class meetings;
- 4.6.2 If there is a breach of Clause 10 or 11 of the Shareholders Agreement or a breach of Article 7.2 in respect of any Share or Shares, until such breach is remedied the Share or Shares in question shall not carry the right to receive dividends or other income distributions and shall not entitle the holder or holders thereof to cast votes at general meetings or at any class meetings.

ISSUE OF NEW SHARES

- 5.1 All unissued Shares shall be at the disposal of the Board who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper, provided that no such allotment, grant or disposal may be made without the prior written approval of the Virgin Shareholder Majority and of the holders of a majority (by nominal value) of the "B" Ordinary Shares, save in respect of any rights granted or to be granted over, or any allotment of, Shares pursuant to the Shareholders Agreement (or the option arrangements provided for therein). Subject to the foregoing, the Board is generally and unconditionally authorised (for the purposes of Section 80 of the Companies Act 1985) to allot Employee Non Voting Shares up to an aggregate nominal amount of £170,068, such authority to expire on the fifth anniversary of the date of adoption of these Articles.
- 5.2 Subject to the proviso in Article 5.1, any Shares which the Company proposes to allot to Virgin Shareholders, whether wholly for cash or otherwise, shall first be offered for subscription to the Virgin Shareholders (for the purposes only of this Article 5.2 and Article 5.4 referred to as "members") (as if they were one class) in the proportion that the aggregate nominal value of "C" Ordinary Shares and "D" Ordinary Shares for the time being held respectively by each such member bears to the total number of the "C" Ordinary Shares and "D" Ordinary Shares in issue. The offer shall be made by notice in writing specifying the number of shares to which the member is entitled and limiting a time (being not less than four weeks) within which the offer if not accepted will be deemed to be declined. The members who accept the offer shall be entitled to indicate that they would accept, on the same terms, shares (specifying a maximum number) that have not been accepted by other members ("**Excess Shares**") and any Excess Shares shall be allotted to *members who have indicated they would accept Excess Shares*. Excess Shares shall be allotted pro rata to the aggregate number of "C" Ordinary Shares and "D" Ordinary Shares (as if they were one class) held by members accepting Excess Shares providing that no such member shall be allotted more than the maximum number of Excess Shares such member has indicated he is willing to accept.
- 5.3 After the expiration of the offers referred to in Article 5.2, the Board shall be entitled to allot, grant or dispose of any "C" Ordinary Shares and/or D Ordinary Shares so offered and not accepted in accordance with Article 5.2.

- 5.4 If any difficulty shall arise in the apportionment of any such new shares amongst the members such difficulties shall in the absence of direction by the Company be determined by the Board.
- 5.5 The provisions of Section 89(1) and Section 90(1) to (6)(inclusive) of the Companies Act 1985 shall not apply to the Company.

VARIATION OF CLASS RIGHTS

- 6 Whenever the capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern, or during or in contemplation of a winding up, with the consent in writing of the holders of three fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of that class, but not otherwise. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company shall apply mutatis mutandis except that:-
- 6.1 the necessary quorum shall be at least [two] person[s] holding or representing by proxy one third in nominal amount of the issued shares of the class, but so that at any adjourned meeting of such holders at which such a quorum is not present the holder or holders present shall be a quorum; and
- 6.2 the holders of shares of the class in question shall on a poll have one vote in respect of every share of the class held by them respectively.

TRANSFERS OF SHARES : GENERAL

- 7.1 The Directors shall be required (subject only to Articles 7.2, 7.3 and 7.4 and Regulation 24 of Table A) to register promptly any transfer of Shares (other than shares represented by bearer warrants) made in accordance with the provisions of Articles 8 to 11 below, but shall not register any transfer of Shares not so made and shall not register a transfer made in contravention of Article 7.2. A transfer of shares represented by bearer warrants which is not made in accordance with the provisions of Articles 8 to 11 below or which is made in contravention of Articles 7.2 or 7.3 shall be ineffective and void. In its application to the Company Regulation 24(a) of Table A shall be modified such that the Directors may not appoint any place other than the Company's registered office for the lodging of transfers.
- 7.2 No Share, and no interest in any Share, may be transferred or otherwise disposed of in breach of any legal or regulatory requirement to which the Company or any member of its Group is subject, or which would cause the Company or any member of its Group to be in breach of any obligation or undertaking to OPRAF or ORR (other than an obligation or undertaking to OPRAF or ORR entered into in breach of the terms of the Shareholders Agreement), or give rise to a right for OPRAF to terminate either or both of the Franchise Agreements or give rise to a right for ORR to terminate any operating licence held by either of West Coast Trains Limited or CrossCountry Trains Limited or to review the protection from competition afforded to either of those subsidiaries under the ORR's moderation of competition policy. Articles 8 to 11 (inclusive) shall take effect subject to the provisions of this Article 7.2.

- 7.3 The Directors may refuse to register the transfer of a share to a bankrupt, a minor or a person of unsound mind.
- 7.4 For the purpose of these Articles the following shall be deemed (without limit) to be a transfer by a member of Shares:-
- 7.4.1 any direction (by way of renunciation or otherwise) by a member entitled to an allotment issue or transfer of Shares that a Share be allotted or issued or transferred to some person other than himself; and
- 7.4.2 any sale or other disposition (excluding charging) of any legal or equitable interest in a share (including any voting right attached to a Share) whether or not by the registered holder, whether or not for consideration and whether or not effected by an instrument in writing.
- 7.5 In its application to the Company Regulation 23 of Table A shall be modified by the addition of the words "Where an instrument of transfer is required for the transfer of a share such instrument of transfer" in substitution for the first seven words.

PERMITTED TRANSFERS

- 8.1 Subject to the provisions of Article 7, any Shares may at any time be transferred:-
- 8.1.1 by Stagecoach to a Stagecoach Affiliate and by a Stagecoach Affiliate to Stagecoach or to another Stagecoach Affiliate;
- 8.1.2 by any member with the consent of the holders of at least 85 per cent. in nominal value of the Virgin Shares and of the holders of at least 85 per cent. in nominal value of the "B" Ordinary Shares, in each case in issue at the relevant time;
- 8.1.3 by any member:-
- 8.1.3.1 pursuant to acceptance of an offer made to that member under the terms of Article 9.10 or Article 10.1 or Article 10.2; or
- 8.1.3.2 in consequence of a requirement to sell Shares pursuant to Article 11;
- 8.1.4 by any member to a nominee or trustee for that member alone, and any nominee or trustee of any person or persons may at any time transfer any Shares to that other person or persons or to another nominee or trustee for that other person or persons PROVIDED THAT no beneficial interest in such Shares passes by reason of such transfer.
- 8.2 In the event that:
- 8.2.1 any Shares are held by any member as the result of any transfer on one or more occasions pursuant to Article 8.1.1 or 8.1.4; and

8.2.2 the holder of the Shares ceases (in the case of Article 8.1.1) to be a Stagecoach Affiliate or (in the case of 8.1.4) to hold as nominee or trustee for the original beneficial owner alone),

the holder of the Shares shall be required immediately (in the case of Article 8.1.1) to transfer the Shares concerned back to Stagecoach (or another Stagecoach Affiliate) or (in the case of Article 8.1.4) the original beneficial owner (as applicable).

8.3 Save as set out in this Article 8 and in Article 9 no holder of Shares shall have the right to transfer its Shares (or any interest in them).

RIGHTS OF PRE-EMPTION

9 All of the Virgin Shareholders (acting together) shall have the right to sell all (but not some only) of the "C" Ordinary Shares together with all (but not some only) of the "D" Ordinary Shares and the Stagecoach Shareholders (acting together) shall have the right to sell all (but not some only) of the "B" Ordinary Shares (in either case, "the Sale Shares") subject to the following restrictions:-

9.1 Before transferring or disposing of any Sale Shares, the Stagecoach Shareholders or the Virgin Shareholders as the case may be ("the Proposing Transferors") shall serve a written notice upon the Company ("the Transfer Notice") stating that the Proposing Transferors wish to sell all of the Sale Shares held by them. The Transfer Notice shall specify a price per Sale Share at which the Proposing Transferors wish to offer their Sale Shares for sale ("the Prescribed Price"). The Transfer Notice shall constitute the Company as the Proposing Transferors' agent for the sale of the Sale Shares to the Virgin Shareholders (if the Proposing Transferors are the Stagecoach Shareholders) or to the Stagecoach Shareholders (if the Proposing Transferors are the Virgin Shareholders) ("the Recipients"). Except as provided in this Article 9, a Transfer Notice once given or deemed to be given shall not be revocable without the consent of the Virgin Director, if the Proposing Transferors are Stagecoach Shareholders, or the consent of the Stagecoach Director, if the Proposing Transferors are Virgin Shareholders.

9.2 The Sale Shares shall, within 14 days following receipt of the Transfer Notice be offered by the Company to the Recipients, in the proportions which each Recipient's holding of Shares bears to the total number of Shares held by the Recipients, for purchase at the Prescribed Price. If the Sale Shares comprise shares of more than one class, each Recipient shall be offered a combination of Shares of each class comprised in the Sale Shares in the same proportions (as nearly as possible) as the total number of Shares of each class comprised in the Sale Shares bear to one another. Such a combination is referred to in this Article as a "proportionate strip". All offers shall be made by notice in writing and limit a time (being between thirty and forty two days, inclusive) within which the offer must be accepted or, in default, will be deemed to have been declined. A copy of such offers shall at the same time be sent by the Company to the Proposing Transferors.

9.3 Any Recipient to whom Sale Shares are offered may accept all or some only of the Sale Shares offered to it, provided that (if applicable) the Sale Shares accepted comprise a proportionate strip.

- 9.4 Each Recipient to whom the offer is made shall be invited to indicate whether, if it accepts the number of Sale Shares offered to it pursuant to Article 9.2, it wishes to purchase any Sale Shares offered to other Recipients in the same offer which they decline to accept (such Sale Shares being referred to as "excess shares") and if so the amount which it wishes to purchase, provided that (if applicable) the excess shares which it seeks to purchase shall comprise a proportionate strip.
- 9.5 If there are any excess shares they shall be allocated between the Recipients who have indicated that they wish to purchase excess shares. If the number of excess shares available is insufficient the excess shares shall be allocated between the Recipients seeking to purchase them as follows:-
- 9.5.1 any Recipient who has indicated that it wishes to purchase no more than its proportionate entitlement of excess shares (calculated by reference to the proportion which the number of Shares held by that Recipient bears to the total number of Shares held by the Recipients seeking to purchase excess shares) shall be allocated all the excess shares it sought to purchase;
- 9.5.2 any Recipient who has indicated that it wishes to purchase more than its proportionate entitlement shall have the number of excess shares applied for scaled down and (if more than one) in proportion to their respective holdings of Shares.
- For the avoidance of doubt, if the Sale Shares comprise Shares of more than one class, the excess shares shall be allocated under this Article 9.5 in proportionate strips.
- 9.6 Not later than 7 days following the expiration of the period during which the offer made pursuant to Article 9.2 is open for acceptance ("the Acceptance Period") the Company shall give written notice to the Proposing Transferors stating whether or not acceptances have been received for all of the Sale Shares.
- 9.7 In the event that the Proposing Transferors are given notice under Article 9.6 that acceptances have been received for all of the Sale Shares, the Proposing Transferors shall be bound on payment of the Prescribed Price to transfer the Sale Shares to the Recipients who have accepted the offer of Sale Shares pursuant to Article 9.2 ("the Purchasers") and each of the Purchasers shall be bound to purchase such Sale Shares allocated to it under the provisions of Articles 9.3 to 9.5 at the Prescribed Price. The sale and purchase shall be completed at the registered office of the Company during normal business hours on the first business day after the expiry of 30 days from the date of service of notice under Article 9.6.
- 9.8 If the Proposing Transferors, after having become bound to transfer any Sale Shares to a Purchaser, shall fail to do so:-
- 9.8.1 in the case of shares represented by bearer warrants the relevant bearer share warrants shall be deemed to have been surrendered for cancellation, and the directors shall register the Proposing Transferor as the holder of such Sale Shares and the provisions of paragraph 9.8.2 and the remainder of this Article 9.8 shall apply to those shares as if the shares had at the time of such default and at all times thereafter been registered shares; and

- 9.8.2 the Directors may authorise any person to execute on behalf of and as attorney for the Proposing Transferors (or any of them) any necessary instruments of transfer and shall register the Purchaser as the holder of the Sale Shares. The Company's receipt of the purchase money shall be a good discharge to the Purchaser, and the Company shall thereafter hold the same on trust for the Proposing Transferors. After the name of the Purchaser has been entered in the Register in purported exercise of these powers, the validity of the proceedings shall not be questioned by any person.
- 9.9 Subject to Article 9.10, the Proposing Transferors may transfer all of the Sale Shares to a third party ("the Third Party") if the Company shall fail within the Acceptance Period to find a Purchaser or Purchasers for all of the Sale Shares, subject to the following restrictions:-
- 9.9.1 the Sale Shares may not be sold after the expiry of three months after the date on which notice is given under Article 9.6;
- 9.9.2 the Sale Shares must be sold on a bona fide sale at a price not being less than the Prescribed Price to the Third Party;
- 9.9.3 the Virgin Director, if the Proposing Transferors are Stagecoach Shareholders, or the Stagecoach Director, if the Proposing Transferors are Virgin Shareholders, may require to be satisfied that the Sale Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the instrument of transfer without any deduction, rebate or allowance whatsoever to the Third Party.
- 9.10 Prior to, and as a condition of, transferring Sale Shares in accordance with Article 9.9 ("the proposed Third Party Sale") to the Third Party, the Proposing Transferors must procure that the Third Party makes a legally binding offer or procures that such an offer is made ("the Offer") to acquire all of the Shares and all of the Loan Stock held by the Stagecoach Shareholders (if the Proposing Transferors are Virgin Shareholders) or the Virgin Shareholders (if the Proposing Transferors are Stagecoach Shareholders) ("the Non-Transferring Shareholders").
- 9.11 The Offer shall be made in writing by the Third Party to the Non-Transferring Shareholders and shall offer to acquire all (but not some only) of the Non-Transferring Shareholders' Shares and Loan Stock within a prescribed period and on a prescribed date being not less than thirty days and not greater than forty two days of the date of such offer being made. The liabilities of the Non-Transferring Shareholders under such Offer shall be identical (as nearly as may be practicable) in form and proportionate quantum to the liabilities of the Proposing Transferors under the proposed Third Party Sale. The consideration payable under the Offer shall be:-
- 9.11.1 in the case of Shares (if the Non-Transferring Shareholders are the Virgin Shareholders) aggregate consideration (whether in cash, securities or otherwise or any combination thereof) equal in aggregate to a fraction of the total consideration payable for the issued "B" Ordinary Shares, where the numerator of the fraction is 51 and the denominator of that fraction is 49, such consideration to be apportioned between the Shares held by the Non-Transferring Shareholders in such proportions as they may agree;

- 9.11.2 in the case of Shares (if the Recipients are the Stagecoach Shareholders) aggregate consideration (whether in cash, securities or otherwise or any combination thereof) equal in aggregate to a fraction of the total consideration payable for the issued "C" Ordinary Shares and "D" Ordinary Shares, where the numerator of that fraction is 49 and the denominator of that fraction is 51;
- 9.11.3 in the case of Loan Stock, consideration in cash equal to the aggregate nominal value of such Loan Stock together with all accrued but unpaid interest thereon.
- 9.12 Completion of the proposed Third Party Sale shall take place at the same time as completion of the sale of Non-Transferring Shareholders' Shares and Loan Stock on the acceptance of the Offer, if such Offer is accepted, provided that the failure of the Non-Transferring Shareholders (or any of them) to perform any term of the Offer required to be performed by such Non-Transferring Shareholders (or any of them) on such completion or thereafter shall not prevent or otherwise delay the Proposing Transferors from completing the proposed Third Party Sale.

COMPULSORY TRANSFERS

10.1 Employee Non Voting Shareholders

The provisions of this Article 10.1 shall have effect where all of the Virgin Shareholders and the Stagecoach Shareholders agree to sell all of the Shares held by them ("a proposed Sale").

- 10.1.1 In the event of a proposed Sale, the Voting Shareholders must procure that an offer is made to the Employee Non Voting Shareholders to acquire their entire holdings of Employee Non Voting Ordinary Shares, which offer complies with the provisions of Article 10.1.2, and the Voting Shareholders shall have the right to require all the Employee Non Voting Shareholders to accept in full such offer ("the Drag Along Right"). The offer may include Employee Non Voting Shares not in issue at the date on which the offer is made, but which may subsequently be issued (whether on exercise of an outstanding option to subscribe or otherwise).

- 10.1.2 An offer referred to in Article 10.1.1 shall be:

- 10.1.2.1 open for acceptance for not less than one month following the date of the making of the offer;
- 10.1.2.2 on terms that the Employee Non Voting Shareholders shall be entitled to receive aggregate consideration (whether in cash, securities or otherwise or in any combination thereof) for all the Employee Non Voting Shares in issue on the date the offer is made equal to the Employee Non Voting Fraction of the entire consideration to be paid for all of the issued Shares (including the Employee Non Voting Shares) and otherwise on the same terms as, as the Voting Shareholders .

For the avoidance of doubt, if the offer includes any Employee Non Voting Shares which may be issued after the date of the offer, the consideration for each such Employee Non Voting Share under the offer shall be the same as the consideration

offered for each Employee Non Voting Share in issue on the date the offer was made, calculated in accordance with Article 10.1.2.2.

10.1.3 The Drag Along Right may be exercised by the Voting Shareholders serving notice upon the Employee Non Voting Shareholders at the same time as, or within seven days of, the offer made pursuant to Article 10.1.1 ("the Drag Along Notice"). In the event that the Voting Shareholders do not sell all of their Shares not later than the date specified as the date for completion of the sale and purchase of the Employee Non Voting Shares pursuant to the acceptance of the offer, the Drag Along Notice shall lapse. In the event that the Voting Shareholders exercise the Drag Along Right, each Employee Non Voting Shareholder shall be bound to accept the offer and transfer all of the Shares registered in his name and to comply with the obligations assumed by virtue of such acceptance. If the offer includes any Employee Non Voting Shares which may be issued after the date on which the offer is made, this Article 10.1.3 shall apply (*mutatis mutandis*) in respect of any Employee Non Voting Shares so issued, save that the Drag Along Notice need not be served within seven days of the offer.

10.1.4 In the event that any Employee Non Voting Shareholder fails to accept the offer made to him pursuant to Article 10.1.1 or, having accepted such offer, fails to complete the sale of any of his Employee Non Voting Shares pursuant to the offer, or otherwise fails to take any action required of it under the terms of the offer, the Directors (or any of them) may authorise some person to accept the offer on behalf of that Employee 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 Employee Non Voting Shares in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such Employee Non Voting 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. An Employee Non Voting Shareholder shall in such case be bound to deliver up its certificate for its Employee Non Voting Shares to the Company whereupon such Employee Non Voting Shareholder shall be entitled to receive the consideration for such Employee Non Voting Shares, which consideration shall in the meantime be held by the Company on trust for such person but without interest.

10.2 **Virgin Shareholders**

The provisions of this Article 10.2 shall impose no obligations, and shall confer no rights, on any shareholder who is not a Virgin Shareholder.

10.2.1 If at any time a Virgin Shareholder Majority and the Stagecoach Shareholders ("the Specified Members") propose to sell their entire holdings of Shares ("the Specified Shares") and (unless the terms of such sale include the repayment in full on completion of the entirety of the Loan Stock in accordance with its terms) their entire holdings of Loan Stock ("the Specified Loan Stock") the Virgin Shareholders comprised in the Specified Members may make such sale if (and only if) they shall have procured that the proposing purchaser (or a person connected or associated with the proposing purchaser) shall make an offer ("the Offer") to acquire all of the issued Shares and (unless to be redeemed in full) all the issued Loan Stock held, in each case, by the Virgin Shareholders who are not among the

Specified Members ("the Offerees") for the Specified Consideration (as hereafter defined), which offer shall be open for acceptance for not less than 21 days.

- 10.2.2 If Article 10.2.1 applies, the Virgin Shareholders comprised in the Specified Members shall have the right ("the Second Drag Along Right"), exercisable by the Virgin Shareholders comprised in the Specified Members giving notice to that effect (the "Second Drag Along Notice") to the Offerees requiring them to accept the Offer made to them pursuant to Article 10.2.1. A Second 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 and the Specified Loan Stock is not completed within 60 days from the service of the Second Drag Along Notice. Completion of the sale shall take place on the date and at the place at which the sale of the Specified Shares and the Specified Loan Stock shall be completed.
- 10.2.3 The "Specified Consideration" for the purposes of Article 10.2.1 shall mean:
- 10.2.3.1 (in the case of Shares) a consideration (whether in cash, securities or otherwise or in any combination) per "C" Ordinary Share and "D" Ordinary Share (being the same consideration per Share in each case) equivalent to that offered by the proposed transferee or transferees for the Specified Shares, together with an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Shares which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the consideration paid or payable for the Specified Shares;
- 10.2.3.2 (in the case of Loan Stock) a consideration (whether in cash, securities or otherwise or in any combination) per unit of Loan Stock equivalent to that offered by the proposed transferee or transferees for the Specified Loan Stock (if any), together with an amount equal to the proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the Specified Loan Stock which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the consideration paid or payable for the Specified Loan Stock; provided that if there is no Specified Loan Stock, the Specified Consideration for each £1 nominal of Loan Stock shall be £1 in cash plus a sum in cash equal to all accrued unpaid interest.
- 10.2.4 In the event of any disagreement about the calculation of the Specified Consideration, such disagreement shall be referred to an umpire (acting as expert and not as arbitrator) nominated by the parties concerned (or, in the event of disagreement as to nomination, appointed at the request of any Virgin Shareholder by the President for the time being of the Institute of Chartered Accountants in England and Wales or its successor) whose decision shall be final and binding.
- 10.2.5 In the event that any Offeree fails to accept the Offer made to him pursuant to Article 10.2.1 or, having accepted such Offer, fails to complete the sale of any of his Shares or Loan Stock pursuant to the Offer, or otherwise fails to take any action required of it under the terms of the Offer

- 10.2.5.1 the Directors (or any of them) may authorise some person to accept the Offer on behalf of that Offeree or undertake any action required under the terms of the Offer on his part;
- 10.2.5.2 any such Shares represented by bearer warrants shall be deemed to have been surrendered for cancellation and the directors shall register the Offeree as the holder of such Shares and the provisions of the remainder of this Article shall apply to those Shares as if such Shares had at the time of such default and at all times thereafter been registered shares.

The Directors may in particular authorise some person to execute a transfer of any Shares or Loan Stock in favour of the offeror (or its nominee) and the Company may give a good receipt for the consideration for such Shares or Loan Stock 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. An Offeree shall in such case be bound to deliver up its certificate for its Shares (or its bearer warrant representing such Shares as the case may be) or Loan Stock to the Company whereupon such Offeree shall be entitled to receive the consideration for such Shares or Loan Stock which consideration shall in the meantime be held by the Company on trust for such person but without interest.

COMPULSORY TRANSFERS : EMPLOYEES

- 11 Whenever any member of the Company who is an Employee ("the Departing Shareholder") shall for any reason whatsoever cease to be an Employee then the Board may require such Departing Shareholder to sell all or any of his Shares to one or more Employees or other persons (as the Board may decide) at a price per share equal to:-
- 11.1.1 the Employee Fair Value, in circumstances where the Departing Shareholder has ceased to be an Employee due to his death, ill health or permanent disability (evidenced to the satisfaction of the Board), redundancy (within the meaning of section 139 of the Employment Rights Act 1996), retirement (on reaching the age of 65 years or any other age at which he is bound to retire in accordance with the terms of his contract of employment) or dismissal without cause (as determined at the absolute discretion of the Board);
- 11.1.2 the lower of Employee Fair Value and the Departing Shareholder's cost of acquisition of the Shares in question, in any other case.
- For the avoidance of doubt, the provisions of this Article 11 shall apply to any Shares issued to an Employee (or his personal representatives) on the exercise of an option, including Shares issued after he ceases to be an Employee.
- 11.2 In determining the Employee Fair Value the Company may propose to the Departing Shareholder a price which, if accepted by the Departing Shareholder, shall be deemed to be the Employee Fair Value. In the absence of agreement Employee Fair Value shall be determined in accordance with Article 11.3.

- 11.3 Subject to Article 11.2, Employee Fair Value shall be the value per Share as between a willing buyer and a willing seller determined and certified by the auditors of the Company acting at the cost and expense of the Company as experts and not as arbitrators and whose determination shall be final. For the purposes of this sub-Article the auditors shall be instructed to value the Company as a whole and in particular:
- 11.3.1 to have regard to the rights and restrictions attached to such shares in respect of income, capital and conversion; and
- 11.3.2 to disregard the fact that such shares represent a minority interest.
- 11.4 Regulations 29, 30 and 31 of Table A shall be applied subject to the provision of this Article.
- 11.5 If a Departing Shareholder shall fail to comply with a requirement to sell and/or transfer Shares pursuant to Article 11.1, the provisions of Article 9.8 shall apply *mutatis mutandis*.

GENERAL MEETINGS

- 12 In Regulation 37 of Table A there shall be substituted for the words "eight weeks" the words "twenty-eight days" and after the words "receipt of the requisition" there shall be added the words "and for the avoidance of doubt the requisitionists, or any of them representing more than one half of the total voting rights attached to shares held by all the requisitionists, may, if the Directors shall fail within seven days of receipt of the requisition to give notice of a general meeting for a date not later than twenty-eight days after receipt of the requisition, convene the meeting requisitioned for such date as they may select (subject to compliance with the provisions of the Act regarding the giving of notice of meetings requisitioned by the members, insofar as consistent with the provisions of this Article).
- 13 In its application to the Company, the final sentence of Regulation 38 of Table A shall be modified by the insertion of the words "known to be" after the words "to all persons".
- 14 In its application to the Company, Regulation 50 of Table A shall be modified by the insertion after the word "shall" and before the words "be entitled" of the word "not".
- 15 The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors may:-
- 15.1 be deposited at the office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting not less than 24 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

- 15.2 be delivered at the meeting or adjourned meeting at which the person named in the instrument proposes to vote to the Chairman or to the Secretary or to any Director; or
- 15.3 in the case of a poll, be delivered at the meeting at which the poll was demanded to the Chairman or to the Secretary or to any Director, or at the time and place at which the poll is held to the Chairman or to the Secretary or to any Director or scrutineer
- and an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.
- 16 No business shall be transacted at any general meeting of the Company unless a quorum of members is present at the time when the meeting proceeds to business and remains present during the transaction of business. A quorum at any general meeting of the Company shall consist of two persons entitled to vote provided that at least one such person is a Stagecoach Shareholder and one such person is a Virgin Shareholder present in person or proxy or (being a corporation by duly authorised representative). If a meeting is adjourned under Regulation 41 of Table A because a quorum is not present, at least 3 days notice of the adjourned meeting shall be given to the members and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the member or members present shall form a quorum, and Regulation 41 of Table A shall be modified accordingly.

ALTERNATE DIRECTORS

- 17 The appointment of an alternate Director by the Virgin Director or the Stagecoach Director shall not require approval by a resolution of the Directors, and in its application to the Company Regulation 65 of Table A shall be modified accordingly.

NUMBER OF DIRECTORS

- 18 The number of directors shall be not less than two nor more than thirteen.

APPOINTMENT OF DIRECTORS

- 19.1 In its application to the Company, Regulation 78 of Table A shall be modified by the deletion of the words "... and may also determine the rotation in which any additional Directors are to retire"
- 19.2 In its application to the Company, Regulation 79 of Table A shall be modified by the deletion of the second and third sentences.
- 19.3 In its application to the Company, Regulation 84 of Table A shall be modified by the deletion of the third and final sentences.
- 19.4 Subject to Article 18, and the provisions relating to the appointment of certain directors contained in Articles 20.1 and 20.2 and Clause 7.2 of the Shareholders Agreement, the Virgin Shareholder Majority shall have the right at any time and from time to time to appoint one or more Directors of the Company. Any such

appointment shall be made by notice in writing to the Company. The Virgin Shareholder Majority may in like manner at any time and from time to time remove from office any Director appointed by them pursuant to this Article and appoint any person in place of any Director so removed or dying or otherwise vacating office.

NOMINATED DIRECTORS

20.1 The Stagecoach Shareholders shall have the right at any time and from time to time to appoint two Directors of the Company and the following provisions shall have effect:-

20.1.1 Any such appointment shall be made by notice in writing to the Company by the Stagecoach Shareholders and the Stagecoach Shareholders may in like manner at any time and from time to time remove from office any Director appointed by them pursuant to this Article and appoint any person in place of any Director so removed or dying or otherwise vacating office;

20.1.2 Upon any resolution pursuant to Section 303 of the Act for the removal of any Director appointed by them and for the time being holding office pursuant to this Article, the Shares held by the Stagecoach Shareholders shall confer upon the holder(s) thereof the right to an aggregate number of votes which is one vote greater than the number of votes capable of being cast on such resolution by all other members of the Company. Such votes shall be divided between such holders if more than one as nearly as may be in proportion to the number of Shares held by them respectively.

20.2 The Virgin Shareholders shall have the right at any time and from time to time to appoint two Directors of the Company and the following provisions shall have effect:-

20.2.1 Any such appointment shall be made by notice in writing to the Company by a Virgin Shareholder Majority and a Virgin Shareholder Majority may in like manner at any time and from time to time remove from office any Director appointed by them pursuant to this Article and appoint any person in place of any Director so removed or dying or otherwise vacating office;

20.2.2 Upon any resolution pursuant to Section 303 of the Act for the removal of any Director appointed by them and for the time being holding office pursuant to this Article, the Shares held by the Virgin Shareholders shall confer upon the holder(s) thereof the right to an aggregate number of votes which is one vote greater than the number of votes capable of being cast on such resolution by all other members of the Company. Such votes shall be divided between such holders if more than one as nearly as may be in proportion to the number of Shares held by them respectively.

DISQUALIFICATION OF DIRECTORS

21 In its application to the Company, Regulation 81 of Table A shall be modified by the deletion of paragraph(e) and the addition of the following paragraph:

“(e) he is removed from office under the provisions of Article 20;”

DIRECTORS' REMUNERATION

- 22 Directors' fees may be paid to such Directors and in such amounts as the Board may from time to time determine.

PROCEEDINGS OF DIRECTORS

- 23 In its application to the Company Regulation 88 of Table A shall be modified by the insertion of the word "not" after the words "the Chairman shall" in the fifth sentence.
- 24 Subject to Article 25, the quorum for the transaction of the business of the Directors shall be two of which one shall be the Virgin Director and one shall be the Stagecoach Director. Subject to the foregoing, in the event that a meeting of the Directors is attended by a Director who is acting as alternate for one or more other Directors, the Director or Directors for whom he is the alternate shall be counted in the quorum notwithstanding their absence, and if on that basis there is a quorum the meeting may be held notwithstanding the fact (if it is the case) that only one Director is physically present.
- 25 If no Virgin Director is in office, the quorum shall be the Stagecoach Director and one other Director. If no Stagecoach Director is in office, the quorum shall be the Virgin Director and one other Director. If no Virgin Director and no Stagecoach Director is in office, the quorum shall be any two Directors.
- 26 If a meeting of the Directors is adjourned because a quorum is not present, and at the adjourned meeting a quorum is not present within 15 minutes, or such other time as the Directors may agree, from the time appointed for the meeting, the meeting shall stand adjourned to the same day in the next week and at the same time and place and, subject to at least 3 days notice of the adjourned meeting having been given to the Directors, the Directors then present shall form a quorum.
- 28 The Virgin Director and the Stagecoach Director shall have the right to be appointed as a non-executive director of each subsidiary of the Company and to be appointed to (i) any committee or sub-committee of or established by the Board (or any committee thereof) and (ii) any committee or sub-committee of or established by the board of directors of any subsidiary. Any committee or sub-committee established pursuant to this Article shall consist of at least two Directors of whom one shall be the Stagecoach Director and one shall be the Virgin Director. The provisions of these Articles with respect to the regulation of meetings of the Board shall apply mutatis mutandis to meetings of any committee or sub-committee.
- 29 Notices of meetings of the Directors shall be given in writing and in its application to the Company Regulation 111 of Table A shall be modified accordingly.
- 30 Any Director who participates in the proceedings of a meeting by means of a communication device (including a telephone) which allows all the other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) to hear at all times such Director and such Director

to hear at all times all other Directors present at such meeting (whether in person or by alternate or by means of such type of communication device) shall be deemed to be present at such meeting and shall be counted when reckoning a quorum.

- 31 A Director may vote at a meeting of the Directors, and form part of a quorum present at that meeting, in relation to any matter in which he has, directly or indirectly, an interest or duty which conflicts or which may conflict with the interests of the Company, provided that he has previously disclosed the nature of such duty or interest to the Directors. The provisions of Regulation 86 of Table A shall be taken to apply equally to any disclosure to be made under the provisions of this Article.

PRESIDENT

- 32 The Directors may from time to time appoint such person as they may resolve to the honorary position of President of the Company. The President shall not be, or be held out to be, a Director or an officer of the Company.

BORROWING POWERS

- 33 The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

EXECUTION OF DOCUMENTS

- 34 In its application to the Company Regulation 101 of Table A shall be modified by the addition of the following sentence:

“Any instrument expressed to be executed by the Company and signed by two Directors, or by one Director and the Secretary, by the authority of the Directors or of a committee authorised by the Directors shall (to the extent permitted by the Act) have effect as if executed by the seal.”

INDEMNITIES

- 35 Subject to section 310 of the Act:-

- 35.1 Every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation to his office, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 144 or 727 of the Act in which relief is granted to him by the court, and no Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or otherwise in relation to his office.

- 35.2 The Company may purchase and maintain insurance for any such Director or other officer against any liability which by virtue of any rule of law would otherwise attach to him or them in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

GENERAL

- 36 Regulation 112 of Table A shall be modified by the deletion of the last sentence and the substitution of the following sentence: "Any member whose registered address is not within the United Kingdom shall be entitled to have notice given to him at that address".
- 37 Any notice sent to any member (or any other person entitled to receive notices under the Articles) by the Company by post to an address within the United Kingdom shall be deemed to have been given within 24 hours, if prepaid as first class, and within 48 hours, if prepaid as second class, after the same shall have been posted. Any such notice sent by post to an address outside the United Kingdom shall be deemed to have been given within 72 hours, if prepaid as airmail. In proving the giving of notice it shall be sufficient to prove that the envelope containing the same was properly addressed, prepaid and posted. Any notice not sent by post but left at a member's registered address shall be deemed to have been given on the day it was so left.
- 38 Regulation 116 of Table A shall be modified by the deletion of the words "within the United Kingdom".

SHARE WARRANTS TO BEARER

- 39.1 Subject to the provisions of the Act, the Directors may, with respect to paid up shares, issue share warrants to bearer stating that the bearer is entitled to the shares therein specified and may provide, by coupons or otherwise, for the ascertainment of the entitlement to future dividends or any other right arising on the shares included in such warrants. All shares while represented by warrants shall be transferable by delivery of the warrants relating thereto.
- 39.2 The Directors may determine, and from time to time vary, the conditions upon which share warrants may be issued and in particular upon which a new share warrant or coupon will be issued in the place of one worn out, defaced or destroyed and upon which the bearer of a share warrant shall be entitled to attend and vote at general meetings provided that no new share warrant shall be issued unless the Directors are satisfied beyond reasonable doubt that the original warrant has been destroyed.
- 39.3 Subject to the provisions of these Articles and of the Act, the bearer of a share warrant shall be deemed to be a member of the Company to the full extent and shall be subject to the conditions relevant thereto for the time being in force.
- 40 Unless and to the extent that the Directors may from time to time agree the bearer of a share warrant shall not be entitled to be registered as a member in respect of the share or shares specified in the share warrant.

Names and addresses of Subscribers

1. For and on behalf of
Instant Companies Limited
1 Mitchell Lane
Bristol BS1 6BU

2. For and on behalf of
Swift Incorporations Limited
1 Mitchell Lane
Bristol BS1 6BU

Dated: 18 November 1986

Witness to the above signatures: Mark Anderson
1 Mitchell Lane
Bristol BS1 6BU