

5323389

DATE 17 January 2005

VML 2 LIMITED
VEL HOLDINGS LIMITED
VIRGIN MANAGEMENT LIMITED

NOVATION AGREEMENT

Macfarlanes
10 Norwich Street
London EC4A 1BD
RIC/2629981.1 (Step 5.4)



NOVATION AGREEMENT

DATE

2005

PARTIES

- 1 **VML 2 LIMITED** a company registered in the BVI whose registered office is at Geneva Place, 2nd Floor, 333 Waterfront Drive, Road Town, Tortola, BVI ("VML2")
- 2 **VEL HOLDINGS LIMITED** (registered in England and Wales under number 5323389) whose registered office is at 120 Campden Hill Road, London W8 7AR ("VELH")
- 3 **VIRGIN MANAGEMENT LIMITED** (registered in England and Wales under number 1568894) whose registered office is at 120 Campden Hill Road, London W8 7AR ("VML")

RECITAL

VELH is indebted to VML in the amount of £233,036,725 ("the VELH Debt"). The parties to this Agreement have agreed that the liability to repay the VELH Debt to VML shall be novated to VML2 on the terms of this agreement.

AGREEMENT

- 1 **Definitions and interpretation**
 - 1.1 The Recitals form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement. Any reference to this Agreement shall include the Recitals.
 - 1.2 In this Agreement (unless the context requires otherwise):-
 - 1.2.1 words and expressions which are defined in the Companies Act 1985 shall have the same meanings as are ascribed to them in the Companies Act 1985;
 - 1.2.2 any gender includes a reference to the other genders; and
 - 1.2.3 any reference to a Clause is to a Clause of this Agreement.
 - 1.3 The headings contained in this Agreement are for the purposes of convenience only and do not form part of and shall not affect the construction of this Agreement or any part of it.
- 2 **Novation**
 - 2.1 In consideration for the agreement of VELH to issue and allot to VML2 on the date of this agreement 98 shares of £1 each ("the VELH Shares") in the capital of VELH (and conditional upon the unconditional allotment of such shares to VML2 credited as fully paid and the registration of VML2 as their holder in the register of members of VELH) VML2 hereby assumes the liability to repay to

VML the outstanding VELH Debt (including principal and interest accruing at a rate per annum of 2% above LIBOR from time to time).

- 2.2 In consideration for VML2 assuming the liability to repay the outstanding VELH Debt, VML hereby releases (conditional upon the unconditional allotment of the VELH Shares to VML2 credited as fully paid and the registration of VML2 as their holder in the register of members of VELH) VELH from all and any liability to repay the VELH Debt.

3 **General**

- 3.1 This Agreement constitutes the entire agreement and understanding of the Parties. Each of the Parties acknowledges and agrees that in entering into this Agreement it does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) of any person (whether party to this Agreement or not) other than as expressly set out in this Agreement. Nothing in this sub-Clause shall, however, operate to limit or exclude any liability for fraud.
- 3.2 Each Party shall pay its own costs and expenses of and incidental to this Agreement.
- 3.3 This Agreement shall, as to any of its provisions remaining to be performed or capable of having or taking effect following Completion, remain in full force and effect notwithstanding Completion.
- 3.4 This Agreement shall be binding upon and enure for the benefit of the successors and assigns of the Parties.
- 3.5 The failure of any Party at any time or times to require performance of any provision of this Agreement shall not affect its right to enforce such provision at a later time.
- 3.6 No waiver by any Party of any condition or of the breach of any term, covenant, representation, warranty or undertaking contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, covenant, representation, warranty or undertaking in this Agreement.
- 3.7 Any liability to any Party under this Agreement may in whole or in part be released, compounded or compromised and time or indulgence may be given by a Party in its absolute discretion as regards another Party under such liability without in any way prejudicing or affecting its rights against any other Party under the same or a like liability, whether joint and several or otherwise.
- 3.8 This Agreement may be amended, modified, superseded or cancelled and any of its terms, covenants, representations, warranties, undertakings or conditions may be waived only by an instrument in writing signed by (or by some person duly authorised by) each of the Parties or, in the case of a waiver, by the Party waiving compliance.

3.9 This Agreement may be executed in any number of counterparts each of which when executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

4 **Governing law and jurisdiction**

4.1 This Agreement and all matters relating to it shall be governed by and construed exclusively in accordance with the laws of England.

4.2 The Parties submit to the exclusive jurisdiction of the English Courts as regards any claim, dispute or matter arising out of or relating to this Agreement or any of the documents to be executed pursuant to this Agreement.

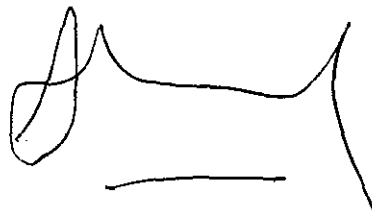
Signed on the date set out at the head of this Agreement.

SIGNED by)
for and on behalf of VML2 LIMITED)

SIGNED by)
for and on behalf of VEL HOLDINGS)
LIMITED)



SIGNED by)
for and on behalf of VML LIMITED)



DATE 17 January 2005

VML 2 LIMITED

VEL HOLDINGS LIMITED

VIRGIN MANAGEMENT LIMITED

NOVATION AGREEMENT

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A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a cursive representation of a name.

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2 Novation

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- 3.6 No waiver by any Party of any condition or of the breach of any term, covenant, representation, warranty or undertaking contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, covenant, representation, warranty or undertaking in this Agreement.
- 3.7 Any liability to any Party under this Agreement may in whole or in part be released, compounded or compromised and time or indulgence may be given by a Party in its absolute discretion as regards another Party under such liability without in any way prejudicing or affecting its rights against any other Party under the same or a like liability, whether joint and several or otherwise.
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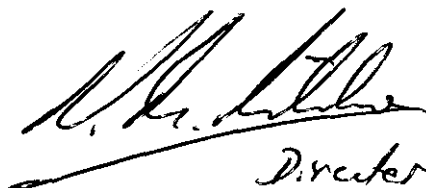
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Signed on the date set out at the head of this Agreement.

SIGNED by *NIALL A RITCHIE*)
for and on behalf of VML2 LIMITED)


Director

SIGNED by)
for and on behalf of VEL HOLDINGS)
LIMITED)

SIGNED by)
for and on behalf of VML LIMITED)