

**Declaration in relation to
assistance for the acquisition
of shares.****155(6)a**Please do not
write in this
margin

Pursuant to section 155(6) of the Companies Act 1985

Please complete
legibly, preferably
in black type, or
bold block letteringNote
Please read the notes
on page 3 before
completing this form*
insert full name
of companyØ
insert name(s) and
address(es) of all
the directors†
delete as
appropriate#
delete whichever
is inappropriateTo the Registrar of Companies
(Address overleaf- Note 5)

For official use

Company number

2328402

Name of company

* EAST LONDON BUS & COACH COMPANY LIMITED ("the Company")

†/We Ø Barry Edward Arnold, 107 Beechwood Avenue, Melbourn, Royston, Hertfordshire SG8 6BWRoger William Bowker, 43 Leigh Drive, Elsenham, Bishops Stortford, Hertfordshire CM22 6BYPeter Duff, 83 Gainsborough Drive, Lawford Dale Estate, Lawford, Manning Tree, Essex CO11 2LFMartin Herbert Stoggell, 119 Blackborough Road, Reigate, Surrey RH2 7DASEE PAPER APART A[~~the sole director~~] [all the directors]† of the above company do solemnly and sincerely declare that:

The business of the company is:

(a) ~~that of a [foreign bank] [licensed institution]† within the meaning of the Banking Act 1979~~xxx(b) ~~that of a person authorised under section 4 of the Insurance Companies Act 1982 to carry on~~xxx
~~insurance business in the United Kingdom~~#

(c) something other than the above #

The company is proposing to give financial assistance in connection with the acquisition of shares in
the [company] [~~company's holding company~~]

-Limited]-†

The assistance is for the purpose of [~~that acquisition~~] [reducing or discharging a liability incurred for the
purpose of that acquisition].†The number and class of the shares acquired or to be acquired is: 3,460,000 Ordinary Shares of £1 each
in the CompanyPresentor's name address and
reference (if any):Dundas & Wilson CS
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN
Ref: SMS/MPS/B0056.264

For official Use

General Section

Post room



The assistance is to be given to: (note 2) STAGECOACH HOLDINGS PLC (Company Number SC100764),
whose registered office is at Charlotte House, 20 Charlotte Street, Perth PH1 5LL ("Stagecoach")

Please do not
write in
this margin

Please complete
legibly, preferably
in black type, or
bold block lettering

The assistance will take the form of:

SEE PAPER APART

The person who [has acquired] ~~[will acquire]~~† the shares is:
Stagecoach

† delete as
appropriate

The principal terms on which the assistance will be given are:

SEE PAPER APART

The amount of cash to be transferred to the person assisted is £ NIL

The value of any asset to be transferred to the person assisted is £ NIL

The date on which the assistance is to be given is X 22nd March X 19 96

Please do not
write in
this margin

Please complete
legibly, preferably
in black type, or
bold block lettering

*
delete either (a) or
(b) as appropriate

I/We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) [I/We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date] *(note 3)

(b) [~~It is intended to commence the winding up of the company within 12 months of that date and I/we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.~~] (note 3)

And I/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at 2-4 CLEMENTS ROAD
ILFORD, ESSEX IG1 1BA

the 22nd day of MARCH
one thousand nine hundred and NINETY SIX

before me [Signature]

* A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

Declarants to sign below

[Signature] X BEA
[Signature] X RWS
[Signature] X PD
[Signature] X MHS

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF4 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

* MR. HARSHADRAJ JOSHI JP
235 HERMITAGE ROAD,
LONDON N4 1NP

Paper Apart A

East London Bus & Coach Company Limited

who being together with Keith Cochrane, 8 Geddes Drive, Perth PH1 1QD, Brian John Cox, Little Crede, Crede Lane, Bosham, Chickhester PO18 8NY and Derek Scott, 21 Auld House Wynd, Perth PH1 1RG who (after consultation with the Directors who have signed this Form 155(6)(a)) have made or will make the same statutory declaration at a different venue with the intent that such declarations should together be regarded as the same statutory declaration required by and complying with Section 155(6) of the Companies Act 1985 are

Brian E Auld
X *Brian E Auld* X BEA
RWB
X *RWB* X RWB
Derek Scott
X *Derek Scott* X PD
MHS
X *MHS* X MHS

Paper apart - Form 155(6)(a)

The assistance will take the form of the entering into by the Company of an Accession Agreement (**the Accession Agreement**) between the Company and The Governor and Company of the Bank of Scotland as agent wherein the principal terms on which the assistance will be given are that the Company inter alia confirms and agrees that:-

- (a) its obligations under Clause 14 of the Agreement, a copy of which Clause is annexed as relative hereto, extend to all Relevant Liabilities;
- (b) its Floating Charge by virtue of paragraph (a) above secures all Relevant Liabilities; and
- (c) the Accession Agreement shall be read as one with the Agreement so that any reference in the Agreement to "this Agreement", "hereunder" and similar shall include the Accession Agreement.

X Bang E Anand X BEA
X Russ X RWB
X John Duff X PD
X [Signature] X MHS

Definitions applicable to the foregoing Companies Form 155(6)(a):-

Accession Agreement means an Accession Agreement substantially in the form of the relevant Part of Schedule 5 of the Agreement duly completed to reflect the circumstances in the Required Form;

Agent means The Governor and Company of the Bank of Scotland;

Agreement means the Facility Agreement dated 28th January 1996 among the Borrower, the Charging Group Companies, the Banks, the Issuing Bank, the Overdraft Bank and the Agent as amended by a Side Letter executed on 2nd February 1996;

Ancillary Outstandings means, at any time, the Facility B Outstandings, the Facility C Outstandings and the Facility D Outstandings at that time;

Banks means each of the parties whose names and initial facility offices are specified in Schedule 2 of the Agreement as providers of term and ancillary facilities and each other bank or financial institution which becomes a New Bank under Clause 29 of the Agreement;

Borrower means Stagecoach Holdings plc registered number 100764, whose registered office is at Charlotte House, 20 Charlotte Street, Perth PH1 5LL;

Borrower Collateral Account and **Borrower Collateral Deposit** are as defined in Clause 8.1 of the Agreement, a copy of which is annexed as relative hereto;

BoS means The Governor and Company of the Bank of Scotland, The Mound, Edinburgh EH1 1YZ;

Charging Group means (a) the Borrower, (b) each Subsidiary specified as such in Schedule 1 of the Agreement, a copy of which is annexed as relative hereto, and (c) any other Subsidiary of the Borrower which has executed as Accession Agreement and/or Security Documents in terms of Clause 20.16 of the Agreement, a copy of which is annexed as relative hereto, and **Charging Group Company** means any of them;

Debtor Party means the Borrower and each other party from time to time (other than the Agent or any Bank or the Issuing Bank or the Overdraft Bank) to a Finance Document;

Existing Bank means a Bank, an existing Bank under the Agreement seeking to transfer all or part of its rights, benefits and obligations under the Agreement;

Existing Guarantees means the guarantees issued by BoS in support of Existing Vendor Loan Notes and other obligations specified in Schedule 8 to the Agreement, a copy of which is annexed as relative hereto;

Existing Vendor Loan Notes means:-

- (a) £3,523,954 variable rate loan notes 2019 of the Borrower (**the Busways Notes**);
- (b) £83,828 variable rate loan stock 1998 of the Borrower (**the Western Travel Stock**);
- (c) £1,245,345 variable rate loan notes 2019 of the Borrower (**the Cleveland Notes**);
- (d) £116,467 variable rate A loan notes 2019 of the Borrower (**the Hartlepool Notes**); and

(e) £6,623,722 variable rate loan notes 2000 of the Borrower (**the Cambus Notes**);

representing all the obligations of the Borrower in respect of loan notes and loan stock outstanding as at the Signing Date;

Facilities means each of Facility A, Facility B, Facility C, Facility D and the Overdraft Facility;

Facility A means the term loan facilities to be made available to the Borrower under Clause 5 of the Agreement, a copy of which is annexed as relative hereto, for the purpose specified in Clause 3.1 of the Agreement, a copy of which is annexed as relative hereto;

Facility A Loan means the principal amount of each Utilisation of Facility A or, as the context requires, the principal amount thereof from time to time outstanding;

Facility B means the term loan facilities to be made available to the Borrower under Clause 5 of the Agreement, a copy of which is annexed relative hereto, for the purposes specified in Clause 3.2 of the Agreement, a copy of which is annexed as relative hereto;

Facility B Loan means the principal amount of and Utilisation by way of cash drawing of Facility B or, as the context requires, the principal amount thereof from time to time outstanding;

Facility B Outstandings means the maximum face value of each Guarantee, Performance Bond or other obligation (other than in respect of Facility B Loans) issued or incurred under Facility B;

Facility C means the ancillary facilities to be made available to the Borrower by way of non-cash engagement facilities under Clause 6 of the Agreement, a copy of which is annexed relative hereto, for the purposes specified in Clause 3.3 of the Agreement, a copy of which is annexed relative hereto;

Facility C Outstandings means the maximum face value of each Guarantee, Performance Bond or other obligation issued or incurred under Facility C;

Facility D means the ancillary facilities to be made available to the Borrower by way of non-cash engagement facilities under Clause 6 of the Agreement, a copy of which is annexed relative hereto, for the purposes specified in Clause 3.4 of the Agreement, a copy of which is annexed as relative hereto;

Facility D Outstandings means the maximum face value of each Guarantee, Performance Bond or other obligation issued or incurred under Facility D;

Finance Document means the Agreement, the Security Documents, each Accession Agreement, each Transfer Agreement, the fee letters referred to in Clauses 24.2, 24.3, 24.4 and 24.5 of the Agreement, each Performance Bond, each Guarantee, any document granted in connection with the provision of the Facilities and any other document designated by the Agent as a Finance Document;

Floating Charge means, in respect of a Scottish registered Group Company (as defined in the Agreement), a bond and floating charge and, in respect of an English registered Group Company (which expression includes the Company), a floating charge over all the assets of the relevant chargor in favour of the Agent as security trustee for itself, the Banks, the Issuing Bank and the Overdraft Bank, in the Required Form;

Guarantee means a bank guarantee or a bank counter-indemnity issued or deemed issued pursuant to Clauses 6 or 7 of the Agreement, copies of which are annexed as relative hereto, including Existing Guarantees (and includes in each case the maximum face amount thereof from time to time);

Guarantor means each Debtor Party (other than any Rail Group Company);

Interest Period means in relation to each Facility A and Facility B Loan, each period ascertained in accordance with Clause 11 of the Agreement;

Issuing Bank means the Agent;

Loan means a Facility A Loan and/or a Facility B Loan and includes, in any such case, any part thereof having a separate Interest Period;

New Bank means a bank or other financial institution to which an Existing Bank seeks to transfer all or part of its rights and obligations hereunder in accordance with Clause 29 of the Agreement;

Outstandings means, at any time, the aggregate outstanding principal amount in Sterling of all Utilisations being the aggregate of:-

- (a) the Loans;
- (b) the Ancillary Outstandings; and
- (c) the Overdraft Outstandings.

Overdraft Bank means the Agent;

Overdraft Commitment means, in relation to the Overdraft Bank, the aggregate of its obligations to provide the Overdraft Facility up to the maximum aggregate amount (determined in accordance with the definition of Overdraft Outstandings) set opposite its name in Schedule 2 to the Agreement less or any time the aggregate amount of Facility C Outstandings at that time, to the extent not cancelled or reduced under the Agreement;

Overdraft Facility means the fluctuating secured overdraft facility in respect of working capital provided pursuant to Clause 7 of the Agreement;

Overdraft Outstandings means, at any time, the aggregate of the following amounts in respect of all banking arrangements of the following types under the Overdraft Facility then in force:-

- (a) all amounts then outstanding under any overdraft, cheque drawing or other current account facilities;
- (b) the face amount of all bills of exchange then outstanding under any acceptance credit facilities;
- (c) 10% (in the case of contracts not exceeding one year) or 20% (in all other cases) of all amounts payable to the Overdraft Bank under any contracts entered into but which have not yet matured under any foreign exchange facilities;
- (d) the maximum face amount (excluding amounts stated to be in respect of interest) of all guarantees, indemnities, bonds and letters of credit then outstanding under any guarantee,

indemnity or bonding or letter of credit facilities (including the Existing Guarantees refinanced thereby); and

- (e) in respect of any other facility or financial accommodation such other amount as the Overdraft Bank may determine (after consultation with the Agent) fairly represents its aggregate exposure at such time;

all as determined on a gross basis except to the extent that the Overdraft Bank holds deposits (not including, for the avoidance of doubt, the Borrower Collateral Deposit and the SWT Collateral Deposit or any other collateral deposit held pursuant to Clause 8.3 of the Agreement) from the relevant Debtor Party in respect of which the Overdraft Bank has a legally binding right of set-off and is not contractually bound to refrain from exercising such right and/or to account to a third party for any of the proceeds of any exercise of such right;

Performance Bond means a performance bond issued pursuant to Clauses 6 or 7 of the Agreement, including the SWT Performance Bond and the SWT Season Ticket Bond (and includes the maximum face amount thereof from time to time);

Rail Group means (a) (following completion of its acquisition as a subsidiary of the Borrower) SWT and (b) any other train operating company acquired as a subsidiary by the Borrower and which is supported by any Utilisation of Facility D, and **Rail Group Company** means any of them;

Relevant Liability is as defined in Clause 14.10 of the Agreement and means, in relation to a Guarantor, such of its liabilities under Clause 14 of the Agreement and under every other provision in any Finance Document to which it is a party as would (but for Clause 14.10 of the Agreement) relate to Outstandings or other liabilities undertaken under any Finance Document by any other Debtor Party which have the effect of reducing or discharging any liability incurred by that or any other Debtor Party for the purpose of any acquisition of shares in such Guarantor;

Required Form means, in relation to any document, as may reasonably be required in respect of both the form and substance thereof by the Agent;

Security Documents means:-

- (a) a Floating Charge by the Borrower and each other Charging Group Company in the Required Form;
- (b) an Assignment of the Borrower Collateral Account (the **Borrower Assignment**) by the Borrower in the Required Form;
- (c) an Assignment of the SWT Collateral Account (the **SWT Assignment**) by SWT in the Required Form; and
- (d) each other document executed or to be executed (whether pursuant to Clause 20.16 of the Agreement, a copy of which is annexed as relative hereto, or otherwise) in connection with the Agreement guaranteeing and/or constituting or evidencing rights in security for, or otherwise in support of the obligations of any Debtor Party to the Agent, the Banks, the Issuing Bank and the Overdraft Bank;

Signing Date means 28th January 1996;

Sterling and £ means the lawful currency for the time being of the United Kingdom;

Subsidiary means (a) a subsidiary as defined in Section 736 of the Companies Act 1985 (as amended by Section 144 of the Companies Act 1989) and (b) a subsidiary undertaking as defined in Section 21 of the Companies Act 1989;

SWT means South West Trains Limited (registered in England and Wales number 29389935) with its registered office, as at the Signing Date, at Euston House, 24 Eversholt Street, London NW1 1DZ;

SWT Collateral Account and **SWT Collateral Deposit** are as defined in Clause 8.2 of the Agreement, a copy of which is annexed as relative hereto;

SWT Franchise Agreement means the franchise agreement dated 18th December 1995 between the Director of Passenger Rail Franchising and the Borrower, to which SWT has adhered or is to adhere by a Deed of Adherence, and under which the Borrower is to procure the provision by SWT of certain services for the carriage of passengers by railway;

SWT Performance Bond means the Performance Bond to be issued by the Issuing Bank and relating to the performance and compliance by SWT of certain of its obligations under the SWT Franchise Agreement, as amended or replaced with the consent of the Banks from time to time;

SWT Season Ticket Bond means the Season Ticket Bond to be issued by the Issuing Bank and relating to the performance and compliance by SWT of certain of its obligations under the SWT Franchise Agreement and includes any subsequent Season Ticket Bond issued by the Issuing Bank under or pursuant to Clause 14.4(d) thereof;

Transfer Agreement means an agreement substantially in the form set out in Schedule 6 of the Agreement by an Existing Bank and a New Bank whereby:-

- (a) such Existing Bank seeks to assign to such New Bank all or part of such transferor's rights and obligations under the Agreement subject to and upon the terms and conditions set out in Clause 29 of the Agreement; and
- (b) such New Bank undertakes to perform those obligations it will assume as a result of delivery of such Agreement to the Agent as contemplated in Clause 29 of the Agreement;

Trustee Company means each Subsidiary of the Borrower specified as such in Schedule 1 of the Agreement a copy of which is annexed as relative hereto; and

Utilisation means the drawing of a Loan under, or other use of, any of the Facilities.

X Ray E Arnold X BFA
X Russell X RNB
X Peter J. [Signature] X PD
X [Signature] X MHS

If the Agent confirms in writing to the Borrower within 30 days of receipt of any such request that the Banks, the Issuing Bank and the Overdraft Bank are prepared to agree to such proposed increase and if the Borrower thereafter accepts the terms proposed by the Agent in relation thereto, such increase shall be effected through a supplemental agreement between all the parties hereto which shall be secured by the Security Documents.

2.5 Obligations several The obligations of each Bank, the Issuing Bank and the Overdraft Bank under this Agreement are several, to the effect that:-

2.5.1 failure of a Bank, the Issuing Bank or the Overdraft Bank to carry out its obligations hereunder shall not relieve any other party hereto of any of its obligations hereunder;

2.5.2 no Bank shall be responsible for the obligations of any other Bank, the Issuing Bank or the Overdraft Bank hereunder;

2.5.3 the Overdraft Bank shall not be responsible for the obligation of any other Bank or the Issuing Bank hereunder; and

2.5.4 the Issuing Bank shall not be responsible for the obligations of any Bank or the Overdraft Bank hereunder.

2.6 Rights several The obligations of the Borrower and the other Charging Group Companies towards the Agent, each Bank, the Issuing Bank and the Overdraft Bank hereunder are given to each of them as separate and independent rights. The Agent, each Bank, the Issuing Bank and the Overdraft Bank may (except as otherwise stated in any Finance Document) separately enforce its rights hereunder.

3. PURPOSE AND UTILISATION

3.1 **Facility A** The proceeds of the Utilisation of Tranche A(1) of Facility A shall be applied in refinancing all Existing Debt which comprises the Term Loan under the Principal Facility Agreement. The proceeds of the Utilisation of Tranche A(2) of Facility A shall be applied in refinancing all Existing Debt which comprises all the Revolving Loans under the Principal Facility Agreement.

3.2 **Facility B** The proceeds of the first Utilisation of Facility B shall be applied in refinancing all Existing Debt under the Cambus/SWT Advance Letter (including all outstanding obligations of BoS under the Existing Guarantees issued in respect of the Cambus Notes). The proceeds of each subsequent Utilisation of Facility B shall be applied to finance or refinance Qualifying Acquisitions (and/or in the issue, through the Issuing Bank, of Guarantees in connection therewith) in accordance with the provisions of Clause 5.

3.3 **Facility C** Facility C shall be used for, and shall be applied in the refinancing through the Issuing Bank of, all outstanding obligations of BoS under the Existing Guarantees issued in respect of the Existing Vendor Loan Notes (other than the Cambus Notes).

3.4 **Facility D** Tranche D(1) of Facility D shall be used for the issue, through the Issuing Bank, of the SWT Performance Bond. Tranche D(2) of Facility D shall be used for the issue, through the Issuing Bank, from time to time of the SWT Season Ticket Bond. Each other Utilisation of Facility D shall be applied in the support of such obligations of any Rail Group Company to the Director of Passenger Rail Franchising required in terms of any Franchise Agreement, and on such terms, and within such further tranches, as the Banks may agree.

- 4.3 **General Conditions** The obligations of the Agent, each Bank and the Issuing Bank hereunder in respect of each Utilisation are subject to the further conditions precedent that:-

4.3.1 both at the time of the request for and for the making of the Utilisation:-

4.3.1.1 the matters represented and warranted in Clause 18.1 are correct on and as of such times as if made at each such time and would be so correct immediately after such Utilisation;

4.3.1.2 no Default has occurred and is continuing or would result from such Utilisation; and

4.3.2 the Agent shall have received such other documents, opinions, certificates, authorisations or assurances as the Agent or, through the Agent, any Bank or the Issuing Bank or the Overdraft Bank may reasonably request.

4.4 **Certified Copies** Each of the copy documents specified in Clause 4.1 shall be certified by a competent senior official of the Borrower as being correct, complete and up to date. The Agent shall notify the Banks, the Issuing Bank and the Overdraft Bank promptly upon due receipt of the documents specified in Clause 4.1.

4.5 **Waiver** Each of the conditions specified in Clauses 4.1, 4.2 and 4.3 is for the benefit of the Agent, the Banks, the Issuing Bank and the Overdraft Bank and may be waived in writing on their behalf by the Agent in writing, acting on the instructions of the Banks, on such terms and to such extent as the Agent may decide.

5. **TERM FACILITIES**

5.1 **Facility A and Facility B Loans** Subject to the terms of this Agreement, Facility A Loans and Facility B Loans will be made available to the Borrower by the Banks under Facility A and Facility B, as appropriate, at any time during the relevant Commitment Period when requested by the Borrower. Facility A is divided into two tranches, one in the amount of £40,000,000 (**Tranche A(1)**) and one in the amount of £10,000,000 (**Tranche A(2)**). Notwithstanding the foregoing provisions:-

5.1.1 on the Second Drawdown Date, the Utilisation of Tranches A(1) and A(2) of Facility A, and the first Utilisation of Facility B by way of Loans, shall occur; and

5.1.2 Facility B Loans may be drawn after 31st October 1997, but only to the extent necessary to finance the scheduled redemption by the Borrower of any Further Vendor Loan Notes.

Any amount of the Facility A or Facility B Commitment not utilised on expiry of the Commitment Period relating thereto shall automatically be cancelled at close of business in London on such date.

5.2 **Qualifying Acquisitions** Facility B is available, subject to the provisions of this Agreement, to finance or refinance the Initial Costs and the Subsequent Costs of any Qualifying Acquisition. Only one Utilisation may be drawn to finance the Initial Costs and only one Utilisation may be drawn to finance the Subsequent Costs in respect of any Qualifying Acquisition. In this Agreement:-

5.2.1 **Qualifying Acquisition** means a purchase after the Signing Date by the Borrower or any other Charging Group Company of the whole (or such part as the Banks may agree in writing) of the issued share capital of another body corporate or of the undertaking and assets of any body corporate (**the Target**) where the purchase complies with the following conditions:-

5.2.1.1 the Target carries on the business, or comprises assets used in the business, of the provision of bus or coach services, but not in the business of train operating or leasing services;

5.2.1.2 the proposed purchase has either:-

(a) received clearance following delivery of a merger notice under Section 75, Fair Trading Act 1973; or

(b) been the subject of confidential guidance from the Office of Fair Trading which confirms that the purchase is unlikely to be investigated by the Monopolies and Mergers Commission,

or (if the proposed Purchase Price does not exceed £10,000,000 or equivalent) the Borrower confirms to the Agent in writing that in the opinion of the Board of Directors of the Borrower it is unlikely that the purchase would be so investigated;

5.2.1.3 the value of the goodwill (determined in accordance with the Applicable Accounting Principles and as evidenced by the latest available audited accounts or, if the Borrower so requires, management accounts of the Target at completion of the purchase as adjusted to reflect the Borrower's estimate of the fair value of the net assets of the Target) of the Target does not exceed 25% of the Purchase Price (if the Purchase Price exceeds £5,000,000) disregarding always, for the purpose of this sub-clause the value of any goodwill the purchase of which is paid for or satisfied by the issue to the vendor or vendors of the Target of ordinary share capital of the Borrower listed on the London Stock Exchange Limited; and

5.2.1.4 the proposed Target is incorporated or located in the United Kingdom;

5.2.2 **Purchase Price** means in respect of a Qualifying Acquisition the aggregate of (a) the cash consideration and (b) the value of any assumed or retained liabilities of the Target and (c) the value of any non-cash consideration;

5.2.3 **Initial Costs** means the amount of any cash payment of the Purchase Price due on completion and/or the amount of any cash payment which is to be made within 30 days after completion to discharge any liabilities (including term Borrowings) assumed by the relevant Obligor or retained by the Target; and

5.2.4 **Subsequent Costs** means the amount of any cash payment of the Purchase Price due within 2 years after completion and/or the amount of any cash payment by the relevant Debtor Party or the Target within 2 years after completion to finance redundancy costs, property upgradings, 20% of the cost of replacement vehicles and such other liabilities in the nature of capital expenditure (but not working capital requirements) as the Banks may agree in writing.

Not less than 5 Business Days before any such proposed purchase the Borrower will provide the Agent with all information, accounts, valuations, draft agreements, orders or other contract documentation as may reasonably be necessary for the purpose of this Clause 5.2.

5.3 **Drawdown** Whenever the Borrower desires to borrow a Facility A Loan or a Facility B Loan it shall deliver a Drawdown Notice to the Agent appropriately completed, to be received not later than 11.00 am one Business Day prior to the proposed date for the Utilisation specifying:-

5.3.1 the date of the proposed Utilisation. Such date must be a Business Day which:-

5.3.1.1 in the case of a Facility A Loan or the first Facility B Loan, is a rollover date in respect of the relevant Existing Debt to be refinanced thereby; and

5.3.1.2 in the case of a Facility B Loan other than the first must be the date of completion of the Qualifying Acquisition or (as applicable) payment of the Subsequent Costs;

5.3.2 the amount of the proposed Utilisation which:-

5.3.2.1 in the case of Tranche A(1) of Facility A will be in the amount of £40,000,000, being the relevant Existing Debt to be refinanced thereby;

5.3.2.2 in the case of Tranche A(2) of Facility A will be in the amount of £10,000,000, being the relevant Existing Debt to be refinanced thereby;

5.3.2.3 in the case of the first Utilisation of Facility B shall be in the principal amount of £5,035,135, being the Advance outstanding pursuant to the Cambus/SWT Advance Letter; and which

5.3.2.4 in the case of each subsequent Utilisation of Facility B, shall be the amount of the Initial Costs or the Subsequent Costs in respect of the Qualifying Acquisition (being in any case not less than £1,000,000);

5.3.3 the first Interest Period for such Utilisation, in accordance with Clause 11;

5.3.4 in the case of a Facility B Loan for the purpose of a Qualifying Acquisition or Capital Expenditure that none of the terms of the Qualifying Acquisition have been altered from those disclosed to the Agent under Clause 5.2, and enclosing a copy of the final form of the acquisition agreement or other relevant agreement; and

5.3.5 an account at a bank in the United Kingdom to which the proceeds of such Utilisation are to be credited.

Subject to the terms of this Agreement, such Drawdown Notice shall be irrevocable and the Borrower shall be bound to borrow in accordance with such notice. The Agent shall, promptly after receipt by it of a duly completed Drawdown Notice, notify each Bank of the details thereof and the proportionate amount of the Facility A Loan or Facility B Loan, as appropriate, to be made available by such Bank. The Borrower may not serve any such notice until the Agent has confirmed to the Borrower and the Banks that the conditions precedent set out in Clause 4.1 have been satisfied.

5.4 **Participation** Subject to the terms of this Agreement, each Bank shall on the date specified in the Drawdown Notice make available to the Agent for the account of the Borrower the amount of its participation in the Loan concerned in the proportion which its Relevant Amount in respect of Facility A or B (as applicable), bears to the aggregate Relevant Amounts of all the Banks in respect of such Facility.

5.5 **Availability** The proceeds of each Loan shall be made available to the Borrower by the Agent which shall promptly transfer all amounts received by it from the Banks to the account specified in the Drawdown Notice and in like funds as they are received by the Agent. The proceeds of each Facility A Loan shall be immediately applied in accordance with the provisions of Clause 3.1 and the proceeds of each Facility B Loan shall be immediately applied in accordance with the provisions of Clause 3.2.

6. ANCILLARY FACILITIES

6.1 **Performance Bonds and Guarantees** Subject to the terms of this Agreement, the Borrower may make a Utilisation of Facility B and/or Facility C and/or Facility D by way of the issue, by the Issuing Bank, of a Performance Bond or Guarantee upon request by the Borrower at any time during the relevant Commitment Period. Facility D is divided into two initial tranches, one relating to the issue of the SWT Performance Bond and the SWT Deed of Subordination in respect thereof (**Tranche D(1)**) and one relating to the issue of the SWT Season Ticket Bond (**Tranche D(2)**). Notwithstanding the foregoing provisions:-

6.1.1 no Utilisation may be made under this Clause 6 prior to the Second Drawdown Date;

6.1.2 on the Second Drawdown Date, the first Utilisation of Facility B by way of Ancillary Outstandings shall occur in respect of the Existing Guarantees issued in respect of the Cambus Notes. Each subsequent Utilisation of Facility B under this Clause 6 shall be by way of Guarantee only for the purpose of supporting Further Vendor Loan Notes and shall occur simultaneously with the initial Facility B Loan (if any) being drawn in respect of the relevant Qualifying Acquisition;

6.1.3 any Utilisation of Facility B hereunder in respect of a Qualifying Acquisition where no initial Facility B Loan is simultaneously being drawn shall nevertheless be subject to the provisions of, and to fulfilment of all the conditions set out in, Clauses 5.2 and 5.3, as if the Utilisation was to be by way of Facility B Loan;

6.1.4 on the Second Drawdown Date, the Utilisation of Facility C shall occur, subject to the terms hereof; and

6.1.5 on the Initial Drawdown Date, the first Utilisation of Facility D, in respect of Tranche D(1), and the second Utilisation of Facility D, in respect of Tranche D(2), shall occur, subject to the terms hereof.

6.2 **Drawdown** Each Drawdown Notice in respect of a Performance Bond or Guarantee shall be delivered to the Agent appropriately completed, by no later than 2 Business Days prior to the proposed date for the Utilisation, shall be irrevocable once given and shall specify:-

6.2.1 the proposed date of issue (which shall be a Business Day);

6.2.2 the maximum face value to be specified in the Performance Bond or Guarantee;

- 6.2.3 the proposed beneficiary of the proposed Performance Bond or Guarantee and the commitment of the relevant Charging Group Company in respect of which the same is proposed to be issued;
- 6.2.5 the proposed Expiry Date of the Performance Bond or Guarantee which shall be a date acceptable to the Banks; and
- 6.2.6 a copy of the proposed form of Performance Bond or Guarantee.

The first Utilisation of Facility B, and the Utilisation of Facility C, shall take effect by the Issuing Bank thereupon being deemed to have issued the relevant Existing Guarantees as Guarantees hereunder. The Utilisations of Tranches D(1) and D(2) of Facility D shall, upon due request pursuant to the Franchise Agreement, take effect by the issue by the Issuing Bank of the SWT Performance Bond and the SWT Season Ticket Bond. Subject thereto, any proposed Performance Bond or Guarantee shall be in the Required Form. Whenever the Agent receives a Drawdown Notice in respect of a Performance Bond or a Guarantee it shall promptly supply a copy of that Drawdown Notice and of the proposed form of Performance Bond or Guarantee to the Issuing Bank and each Bank, giving details of the amount of such Bank's maximum obligations in respect thereof. Each Bank's liability in respect of a Guarantee or Performance Bond shall be governed by Clause 6.7.

- 6.3 **Participation** Subject to the terms of this Agreement, the Issuing Bank will, on the proposed date of issue of the Performance Bond or Guarantee, procure the same is delivered to, or made available for collection from such office as the Agent may specify by, the beneficiary thereof specified in the Drawdown Notice relative thereto.
- 6.4 **Restriction** No Bank shall be the beneficiary of a Performance Bond or Guarantee without the prior written consent of the Agent.
- 6.5 **Counter Indemnity** The Borrower, in respect of each Performance Bond or Guarantee issued or deemed issued hereunder, and SWT (after it becomes a party hereto), in respect of the SWT Performance Bond and the SWT Season Ticket Bond, and each other Rail Group Company which becomes a party hereto, in respect of any Performance Bond or Guarantee issued hereunder to support its obligations under any Franchise Agreement, each hereby unconditionally and irrevocably:-
 - 6.5.1 authorise and direct the Issuing Bank to pay any demand made pursuant to and in accordance with any such Performance Bond or Guarantee on first request or demand being made and to pay all amounts which the Issuing Bank is entitled to pay pursuant to any Performance Bond or Guarantee without requiring proof of the agreement of the Borrower, or SWT, or relevant other Rail Group Company (as the case may be) that the amounts so demanded or paid are or were due and notwithstanding that the Borrower, or SWT, or relevant other Rail Group Company (as the case may be) may dispute the validity of any such request, demand or payment;
 - 6.5.2 undertake to reimburse the Issuing Bank on demand in the amount and in the currency paid by the Issuing Bank pursuant to or in connection with any amount demanded or paid under any such Performance Bond or Guarantee and authorises the Issuing Bank to debit the Borrower's, or SWT's, or relevant other Rail Group Company (as the case may be) account (including the Borrower Collateral Account,

the SWT Collateral Account and any other cash cover account maintained hereunder) with such amounts;

- 6.5.3 undertake to keep the Issuing Bank indemnified on demand against all liabilities, losses, damages, demands, reasonable expenses (including legal expenses) or actions which the Issuing Bank may suffer or incur or which may be made against the Issuing Bank under or in connection with any such Performance Bond or Guarantee;
- 6.5.4 authorise the Issuing Bank to exercise the rights and powers conferred on it by any such Performance Bond or Guarantee and confirms that the Issuing Bank shall be entitled to pay any demand which appears on its face to be in order and agrees that in respect of any such Performance Bond or Guarantee the Issuing Bank deals in documents only and that the Issuing Bank shall not be concerned with the legality of the claim or any underlying transaction or any set-off, counterclaim or defence as between the Borrower, or SWT, or relevant other Rail Group Company (as the case may be) and any other person. This Clause shall apply in respect of amounts so paid without regard to any other condition, the sufficiency, accuracy or genuineness of any such request or demand or any certificate or statement in connection therewith or any incapacity of or limitation upon the powers of any person signing or issuing such request, demand or certificate. The Issuing Bank shall not be obliged to enquire as to any such matters and may assume that any such request, demand, certificate or statement is correct and properly made. If the Issuing Bank pays any demand which is not legally payable such amount shall nevertheless be regarded as having been properly paid for the purposes hereof; and
- 6.5.5 agree that the obligations of the Borrower, or SWT, or relevant other Rail Group Company (as the case may be) under this Clause 6 shall not be affected by any act, omission, matter or thing which but for this provision might operate to release or otherwise exonerate the Borrower, or SWT, or relevant other Rail Group Company (as the case may be) from its obligations hereunder in whole or in part, including without limitation and whether or not known to the Borrower, or SWT, or relevant other Rail Group Company (as the case may be):-
 - 6.5.5.1 any time or waiver granted to or composition with the Agent, the Issuing Bank or any Bank, the beneficiary of any such Performance Bond or Guarantee or any other person;
 - 6.5.5.2 any taking, variation, compromise, renewal or release of, or refusal or neglect to perfect or enforce, any rights, remedies or securities available to the Agent, the Issuing Bank or any Bank or any other person or arising under any such Performance Bond or Guarantee;
 - 6.5.5.3 any variation or extension of or increase in liabilities under any such Performance Bond or Guarantee so that references in this Agreement to the same shall include each such variation, extension and variation; or
 - 6.5.5.4 any invalidity or irregularity in respect of any of the obligations of any of the Borrower or SWT or relevant other Rail Group Company under this Clause 6.

The Issuing Bank, the Borrower and SWT (after it becomes a party hereto) acknowledge that the provisions of this Clause 6.5 and the rights of the Issuing Bank in relation thereto in

relation to SWT's counter-indemnity in respect of the SWT Performance Bond (but not otherwise) are subject to the terms of the SWT Deed of Subordination. The Issuing Bank, the Borrower and any Rail Group Company (other than SWT) acknowledge that the provisions of this Clause 6.5 and the rights of the Issuing Bank in relation thereto in relation to such Company's counter-indemnity in respect of any Performance Bond or Guarantee issued hereunder to support its obligations under any Franchise Agreement are subject to the terms of any deed of subordination required to be entered into pursuant to the terms of any such Franchise Agreement by the Issuing Bank. The Borrower hereby confirms that its obligations under this Clause 6.5 and the rights of the Issuing Bank in relation thereto in respect of the SWT Performance Bond and any such Performance Bond or Guarantee, may be enforced at any time notwithstanding the terms of the SWT Deed of Subordination or any such deed of subordination.

6.6 Demands under Performance Bonds or Guarantees If the Issuing Bank receives a demand for payment under a Performance Bond or Guarantee, the Issuing Bank shall forthwith notify the Agent. If a demand for payment under the Performance Bond or Guarantee has been made on the Issuing Bank and notified to the Agent, the Agent shall:-

6.6.1 notify the Borrower of the amount demanded and the date on which it is payable and the Borrower shall forthwith on demand pay to the Agent for the account of the Issuing Bank an amount equal to the amount of the demand less the amount of the Borrower Collateral Deposit or (as applicable) the SWT Collateral Deposit or (as applicable) any other cash cover held in a Collateral Account specifically in respect of the relevant obligation; and

6.6.2 if payment in full has not been made by the Borrower to the Issuing Bank in accordance with Clause 6.6.1, make demand of each Bank for immediate payment to the Agent (and each Bank hereby agrees with the Issuing Bank to make payment of sums so demanded of it) of an amount equal to the proportion of the total sum due which such Bank's Relevant Amount under the relevant Facility bears to the aggregate Relevant Amounts of all the Banks under such Facility immediately prior to such payment.

6.7 Cash Cover If payment of cash cover has not been made by the Borrower in full in accordance with Clause 8.4 the Agent shall make demand of each Bank for immediate payment to the Agent (and each Bank hereby agrees with the Issuing Bank to make payment of sums so demanded of it) of an amount equal to the proportion of the total sum due which such Bank's Relevant Amount under the relevant Facility bears to the aggregate Relevant Amounts of all the Banks under such Facility immediately prior to such payment. Each Bank hereby undertakes to counter-indemnify and hold harmless the Issuing Bank against any demand made under a Performance Bond or Guarantee in respect of which cash cover has been or is to be provided under this Clause 6.7 in the same proportion as the Bank's liability to provide the cash cover. The provisions of Clause 6.5 shall apply to any Bank which makes a payment in accordance with this Clause 6.7 and Clause 6.6.2.

6.8 Default by Banks If any Bank (a **Defaulting Bank**) fails to make any payment due from it for account of the Issuing Bank under Clause 6.6.2 or Clause 6.7 then until the Issuing Bank has been reimbursed in respect thereof in full (but without prejudice to the obligations of that Defaulting Bank to make such payment):-

6.8.1 such Defaulting Bank shall hold on trust for the Issuing Bank the benefit of any security now or hereafter created to secure the obligations of the Borrower or SWT

or any other Rail Group Company hereunder and to which such Defaulting Bank would have been entitled had it made such payment; and

- 6.8.2 such Defaulting Bank shall not be regarded as a Bank for the purposes of determining the exercise of any rights, powers or discretions conferred on the Banks hereunder.

The rights conferred upon the Issuing Bank in this Clause 6.8 shall be in addition to any other rights it may have against a Defaulting Bank.

- 6.9 **Rights of Contribution and Subrogation** Neither the Borrower nor any other Debtor Party shall, by virtue of any payment made by it or them under this Clause 6 or otherwise, be subrogated to any rights, security or moneys held or received by the Agent, the Issuing Bank or any Bank or be entitled at any time to exercise, claim or have the benefit of any right of contribution or subrogation or similar right against the Agent or any Bank. All rights of contribution or similar rights against the Agent and the Banks in relation to this Agreement are hereby waived by the Borrower and each other Debtor Party.

- 6.10 **Continuing Obligations** This Clause 6 shall be a continuing guarantee and indemnity, shall extend to the ultimate balance of the obligations and liabilities of the Borrower, SWT and any other Rail Group Company under this Clause 6 and shall continue in force notwithstanding any intermediate payment in part of such obligations or liabilities. The obligations of the Borrower, SWT and any other Rail Group Company under this Clause 6 shall be in addition to and shall not be in any way prejudiced by any collateral or other security now or hereafter held by the Issuing Bank or any Bank as security or any lien to which the Issuing Bank or any Bank may be entitled. No invalidity or unenforceability of all or any part of this Clause 6 shall affect any rights of indemnity or otherwise which the Issuing Bank or any Bank would or may have in the absence of or in addition to this Clause 6.

7. OVERDRAFT FACILITY

- 7.1 **Availability** Subject to the provisions of this Agreement, the Overdraft Facility is available by way of:-

- 7.1.1 overdraft, cheque drawing and other related current account facilities; and/or
- 7.1.2 sterling acceptance credit facilities; or
- 7.1.3 foreign exchange facilities; or
- 7.1.4 guarantee, indemnity, bonding, documentary or stand-by letter of credit facilities; or
- 7.1.5 other facilities or accommodation as may be required in connection with the business of the Borrower and which are agreed with the Overdraft Bank,

through the Overdraft Bank's branch office at St Andrew Square, Edinburgh and/or at such other branch as the Overdraft Bank may agree.

- 7.2 **Amount** Subject to the provisions of this Agreement, the aggregate principal amount for which the Overdraft Facility is initially available is £20,000,000 less the aggregate amount of Facility C Outstandings at any time. The Overdraft Bank and the Borrower agree with and

for the benefit of each Bank that Overdraft Outstandings will not exceed such aggregate principal amount. The Overdraft Bank may prescribe from time to time, after consultation with the Borrower, individual sub-limits in respect of each Nominated Subsidiary which is entitled to make Utilisations under the Overdraft Facility.

7.3 **Operation** Subject to the provisions of this Agreement, the Overdraft Facility shall be operated and maintained in accordance with normal banking practice. In particular, in respect of any contingent or third party obligations undertaken by the Overdraft Bank under the Overdraft Facility on behalf of the Borrower or any Nominated Subsidiary the provisions of Clauses 6.5, 6.9 and 6.10 shall apply to such obligations as if they were Performance Bonds or Guarantees hereunder, and as if references therein to the Issuing Bank were references to the Overdraft Bank and to the Borrower included a reference to the relevant Nominated Subsidiary.

7.4 **Utilisations** The first Utilisation of the Overdraft Facility shall take place on the Second Drawdown Date and shall take effect (in relation to any Existing Guarantees to be refinanced thereby) by the Overdraft Bank being deemed to have issued the relevant Existing Guarantees as Guarantees hereunder. Any Utilisation by a Nominated Subsidiary is subject to prior written notice to the Overdraft Bank and to compliance with Clause 20.16.

7.5 **Information** The relevant Debtor Party and the Overdraft Bank will, promptly upon request by the Agent, supply the Agent with such information relating to the operation of the Overdraft Facility to the extent operated by the Overdraft Bank (including, without limitation, the Overdraft Outstandings thereunder) as the Agent may from time to time request. The Debtor Parties consent to all such information being released to the Agent and each Bank.

8. COLLATERAL ACCOUNTS

8.1 **Borrower Collateral Account** The Borrower shall open a Collateral Account with the Issuing Bank (**the Borrower Collateral Account**) and pay into such Account the sum of £1 initially and thereafter the Relevant Proportion of all monies that may be passed to it in any way whatsoever by SWT, whether pursuant to the provisions of Schedule 10, Part 2, paragraph 2 of the SWT Franchise Agreement or as a result of any payment of dividend or other distribution or otherwise. The credit balance on such Account (**the Borrower Collateral Deposit**):-

8.1.1 shall be held subject to the terms of the Borrower Assignment;

8.1.2 shall bear interest at LIBOR less 0.5% per annum; and

8.1.3 may be released to the Borrower from time to time, to the extent it exceeds the amount of the Facility D Outstandings in respect of Tranche D(1) at the relevant time, if no Default has occurred and is continuing.

In this Clause 8.1, **Relevant Proportion** means 100% at any time when the Borrower Collateral Deposit is less than £5,000,000 and otherwise 50%.

8.2 **SWT Collateral Account** SWT shall, immediately upon becoming a party hereto, open a Collateral Account with the Issuing Bank (**the SWT Collateral Account**) and pay into such Account an amount equal to the amount of Facility D Outstandings in respect of Tranche D(2) at that time. The credit balance on such Account (**the SWT Collateral Deposit**):-

- 8.2.1 shall be held subject to the terms of the SWT Assignment;
- 8.2.2 shall bear interest at LIBOR less 0.5% per annum;
- 8.2.3 shall at all times be not less than the amount of Facility D Outstandings in respect of Tranche D(2) at such time; and
- 8.2.4 may be released to SWT from time to time, to the extent it exceeds the amount of the Facility D Outstandings in respect of Tranche D(2) at the relevant time, if no Default has occurred and is continuing in relation to SWT.

For the avoidance of doubt, the provisions of paragraph (b) of Clause 2.1 shall not apply in relation to the determination of Facility B Outstandings for the purposes of this Clause 8.2, or of Clauses 6.5, 8.4, 9.3, 12.2 or 21.2.

8.3 **Other Collateral Accounts** The requirements of the Agent and the Banks in relation to collateral deposits to be provided by the Borrower and other Rail Group Companies in connection with Utilisations under Facility D shall be as specified in the Accession Agreement signed by such Rail Group Company. In this Agreement **Collateral Accounts** means the Borrower Collateral Account, the SWT Collateral Account and any such other collateral accounts.

8.4 **Cash Cover** The Borrower and/or the Banks (as applicable) shall pay to the Agent, to be held for the Issuing Bank and/or the Overdraft Bank in accordance with the following provisions of Clause 8.4, cash cover (a) on the due date for any payment, repayment or prepayment of Ancillary Outstandings and/or Overdraft Outstandings hereunder and (b) no later than 7 Business Days prior to the Final Repayment Date in respect of any Ancillary Outstandings hereunder, in full for such Ancillary Outstandings and/or Overdraft Outstandings, to be provided by paying an amount and:-

8.4.1 in the case of cash cover provided by the Borrower to the Agent for the Issuing Bank or the Overdraft Bank, the Agent paying the amount so received by it into an account with the Issuing Bank or the Overdraft Bank in the name of the Borrower (**the Cash Cover Account**) over which the Borrower has granted a charge in the Required Form. The Cash Cover Account shall bear interest at the Issuing Bank's or the Overdraft Bank's usual market rate. Withdrawals may only be made from the Cash Cover Account:-

8.4.1.1 to pay the Issuing Bank or the Overdraft Bank amounts due and payable to it under this Agreement following any payment made by it under such Guarantee or Performance Bond; and/or

8.4.1.2 provided that there is no Default which is continuing or would occur as a result, to make payment to the Borrower (upon request from time to time) of amounts deposited to the extent that the amount outstanding under a Guarantee or Performance Bond is less than the amount in the Cash Cover Account at such time, provided always that the Agent shall not be required to reduce the amount in the Cash Cover Account below the outstanding amount of the Guarantee or Performance Bond; or

alternative basis for the borrowing of such Loan or of such Affected Bank's participation in such Loan. If such alternative basis is agreed between the Borrower and the Banks or such Affected Bank, it shall apply in accordance with its terms.

13.3 **Following Utilisation** If a Suspension Notice relates to any Loan outstanding at the time of a Suspension Notice, during the period of 30 days from such Suspension Notice, the Banks or such Affected Bank shall, in consultation with the Agent and the Borrower, certify to the Agent and the Borrower such alternative basis as the Banks or such Affected Bank in their sole and absolute discretion shall determine (in this Agreement referred to as their **Substitute Basis**) for maintaining the participation of the Banks or such Affected Bank in such Loan. Without limitation, such Substitute Basis may be retroactive to the beginning of such Interest Period (being the Interest Period commencing at or around the date of the Suspension Notice), and may include an alternative method of fixing the interest rate (which shall reflect the cost to the Banks or such Affected Bank of funding its participation in such Loan from other sources plus the Applicable Margin), alternative Interest Periods or alternative currencies for such Loan. Each Substitute Basis so certified shall be binding upon the Borrower and the certifying Banks or Affected Bank and shall be treated as part of this Agreement.

13.4 **Consultation** So long as any Substitute Basis is in force the Agent (in consultation with the Borrower and each Bank certifying a Substitute Basis) shall from time to time, but not less often than monthly, review whether or not the circumstances referred to in Clause 13.1 still prevail with a view to returning to the normal provisions of this Agreement.

13.5 **Prepayment** The Borrower shall notify the Agent in writing within thirty days of the receipt of a notice from the Agent certifying a Substitute Basis in relation to any Loan whether or not it wishes to prepay the Loan concerned. If the Borrower gives such notice that it wishes to prepay, then the Borrower shall prepay the Loan concerned within ten days after delivery of such notice without penalty but together with interest accrued thereon up to the date of prepayment at the rate specified in the Agent's certificate of Substitute Basis.

14. **GUARANTEE AND INDEMNITY**

14.1 **Guarantee** For good and valuable consideration, receipt whereof is hereby acknowledged by each Debtor Party (other than any Rail Group Company), each Debtor Party (other than any Rail Group Company), herein each a **Guarantor** hereby irrevocably and unconditionally but subject as provided in Clause 14.10:-

14.1.1 guarantees the due and punctual payment of all moneys and performance of all other obligations expressed to be payable or performed by each other Debtor Party under the Finance Documents (including this Agreement), and

14.1.2 agrees that, if at any time or from time to time any of the moneys expressed to be payable by any other Debtor Party under any Finance Document (whether at any stated date of payment, by acceleration, on demand or otherwise) are not paid on the stated due date therefor, or if any of its other obligations are not performed, the Guarantor will forthwith upon demand therefor made by the Agent (or by any Bank or the Overdraft Bank, through the Agent) upon it unconditionally pay for the account of the person or persons beneficially entitled thereto in the manner and currency required by the relevant Finance Document the moneys the payment of which has not been made as aforesaid,

to the intent that the amounts so payable shall be such amounts as will result in such person or persons receiving the same amounts as would have been received had such payments been duly made by the other Debtor Party in accordance with the terms of the relevant Finance Document, or (as appropriate) procure the performance of the other obligations in question.

- 14.2 **Indemnity** In addition to, but separate from, the obligations contained in Clause 14.1, each Guarantor hereby irrevocably and unconditionally, but subject as provided in Clause 14.10, agrees to indemnify each Finance Party and to keep each Finance Party indemnified against any loss of whatever kind resulting from the failure by any other Debtor Party to make any repayment or payment expressed to be due under the Finance Documents when specified to be payable or to perform any other obligation thereunder and to pay the amount of such loss whether or not any Finance Party or any other person has attempted to enforce any rights against the other Debtor Party. Without prejudice to the generality of the foregoing, such loss shall include all those amounts as shall not have been repaid or paid as aforesaid and all costs and expenses (including actual legal fees and expenses) which the relevant Finance Party may incur in proceeding against the other Debtor Party.
- 14.3 **No Release** No Guarantor shall be exonerated or discharged from any of its obligations under this Clause 14, nor shall any of such obligations be in any way prejudiced or affected, by:-
- 14.3.1 any invalidity or unenforceability of any obligation expressed to be assumed by any Debtor Party under or in connection with any Finance Document;
 - 14.3.2 any variation or amendment of, or waiver or release granted under or in respect of, any Finance Document or any document referred to therein;
 - 14.3.3 time being given to any Debtor Party or any other indulgence or concession to any Debtor Party granted by any Finance Party;
 - 14.3.4 the release of any Debtor Party from any of its obligations under any Finance Document or the taking, holding, varying, non-enforcement, non-perfection or release by any Finance Party of any other security for all or any of the sums expressed to be payable by any Debtor Party under any Finance Document;
 - 14.3.5 the operation of Clause 29 or the extension of the operation of this Clause 14 by virtue thereof;
 - 14.3.6 the liquidation, insolvency, administration or analogous process of, or any change in the status, function, control, ownership or financial condition of any Debtor Party or any other person or by any other event;
 - 14.3.7 the existence of any claim, set-off or other right which any Guarantor may have at any time against any other Debtor Party or any Finance Party or any other person, whether in connection herewith or with any unrelated transaction; or
 - 14.3.8 any other thing done or omitted or neglected to be done by any Finance Party or any other dealing, fact, matter or thing (including, without limitation, any circumstances whatsoever affecting or preventing recovery of amounts under any Finance Document) which, but for this provision, might operate to exonerate or discharge any Guarantor from any of its obligations under this Clause 14.

- 14.4 **Continuing Obligations** The obligations of each Guarantor under this Clause 14 are continuing obligations and accordingly they shall remain in operation until all moneys and other obligations now or hereafter expressed to be owing or undertaken under the terms of the Finance Documents have been finally and irrevocably paid off or satisfied in full and discharged and performed and are in addition to and not in substitution for, and shall not be prejudiced or affected by, any other security which any Finance Party may at any time hold for the payment of such moneys or any of them and may be enforced without first having recourse to any such security and without taking any steps or proceedings against any Debtor Party.
- 14.5 **Non-Competition** If any moneys shall become payable by any Guarantor under this Clause 14, no Guarantor shall, so long as any moneys remain owing by any Debtor Party under any Finance Document, without the Agent's prior written consent:-
- 14.5.1 in respect of any amount paid by it hereunder seek to enforce repayment by subrogation, indemnity or otherwise or to exercise any other right or legal remedy of any kind which may accrue howsoever to it in respect of the amount so paid; nor
- 14.5.2 claim payment of any other moneys for the time being due to it by any Debtor Party on any account whatsoever or exercise any other right or remedy which it may have in respect thereof; nor
- 14.5.3 in the event of the liquidation or insolvency of any Debtor Party, prove in competition with the Finance Parties in respect of any moneys owing to it by the Debtor Party on any account whatsoever (but, if so instructed by the Agent, each Guarantor shall so prove in accordance with such instructions).
- 14.6 **Conditional Settlement** Any settlement or discharge between any Finance Party and any Guarantor shall be conditional upon no security or payment to any Finance Party by any Debtor Party or any other person being avoided or reduced or required to be paid away by virtue of any requirement (whether or not having the force of law) or enactment, whether relating to liquidation, insolvency, administration or otherwise, at any time in force or by virtue of any obligation to give effect to any preference or priority and the Finance Party shall be entitled to recover the value or amount of any such security or payment from any Guarantor subsequently as if such settlement or discharge had not occurred.
- 14.7 **Suspense** For the purpose of enabling the Finance Parties to sue for, claim against or otherwise recover from any Debtor Party the whole of the amounts expressed to be payable by it under any Finance Document, any Finance Party may, at its sole discretion, place and retain for as long as it considers fit on a suspense account any sum received or recovered under this Clause 14 without any intermediate obligation to apply the same in or towards discharging any of the said amounts. Such Finance Party shall not be liable for any interest in respect of moneys from time to time standing to the credit of any such suspense account.
- 14.8 **Sole and Principal Debtor** As a separate independent stipulation and without prejudice to Clause 14.2, each Guarantor agrees that any moneys expressed to be payable under any Finance Document and the payment of which may not be enforceable against any Debtor Party by reason of any legal limitation, disability or incapacity on or of the relevant Debtor Party or any other fact or circumstance (whether or not known to any Finance Party) shall nevertheless be recoverable from or otherwise payable by such first-mentioned Guarantor as though the same has been incurred by it and it were the sole or principal debtor in respect thereof and shall be paid on demand.

14.9 **Final Discharge** Subject to Clause 14.6, on the irrevocable payment and performance in full of all the obligations of the Debtor Parties under the Finance Documents the Debtor Parties shall be discharged from their obligations set out in this Clause 14.

14.10 **Limitation** In the case of each Guarantor other than the Borrower:-

14.10.1 its obligations under this Clause 14 and under every other provision in any Finance Document to which it is a party in respect of Relevant Liabilities shall become effective immediately upon compliance by it with Clause 20.16.1 but not prior thereto; and

14.10.2 its obligations under this Clause 14 and under every other provision in any Finance Document to which it is a party in respect of any other liabilities expressed to be covered hereby shall be effective on and from the Signing Date.

For these purposes **Relevant Liabilities** means, in relation to a Guarantor, such of its liabilities under this Clause 14 and under every other provision in any Finance Document to which it is a party as would (but for this Clause 14.10) relate to Outstandings or other liabilities undertaken under any Finance Document by any other Debtor Party which have the effect of reducing or discharging any liability incurred by that or any other Debtor Party for the purpose of any acquisition of any shares in such Guarantor.

15. PAYMENTS

15.1 **Accounts** All payments to be made by the Debtor Parties to the Agent or the Banks, or to be made by the Banks to the Agent, under this Agreement and/or the other Finance Documents shall be made in Sterling in immediately available funds, to the Agent, not later than 11.00 am (London time) on the due date to the account of the Agent at Uberior House, 61 Grassmarket, Edinburgh (Account No 00082330 Sort Code 80-11-45) or at such other office or bank account as the Agent may from time to time designate.

15.2 **Taxes** All payments to be made by each Debtor Party under the Finance Documents shall be made:-

15.2.1 without set-off or counterclaim or plea of compensation; and

15.2.2 free and clear of and without deduction for or on account of all Taxes unless such Debtor Party is compelled by law to make payment subject to such Taxes.

All Taxes in respect of the Finance Documents (other than on the overall net income of any Bank) and any amounts paid or payable hereunder or thereunder shall be paid by the relevant Debtor Party when due and in any event prior to the date on which penalties attach thereto. Each Debtor Party will indemnify the Agent, the Issuing Bank and each Bank in respect of all such Taxes. In addition, if any Taxes or amounts in respect thereof (other than as aforesaid) must be deducted from any amounts payable or paid by any Debtor Party hereunder (or to be paid or payable by the Agent to the Issuing Bank or a Bank hereunder) such Debtor Party shall pay such additional amounts as may be necessary to ensure that the Agent, the Issuing Bank or such Bank receives a net amount equal to the full amount which it would have received had payment not been made subject to such Tax. Within thirty days of each payment by any Debtor Party hereunder of Tax or in respect of Taxes, such Debtor Party shall deliver to the Agent for such Issuing Bank or Bank as appropriate evidence satisfactory

to the Issuing Bank or such Bank (including all relevant Tax receipts) that such Tax has been duly remitted to the appropriate authority.

- 15.3 **Mitigation** If, in respect of the Issuing Bank or any Bank, circumstances arise which would, or would upon the giving of notice, result in any Debtor Party being under an obligation to pay any amount or additional amount under Clause 15.2 or under Clause 16 or 17 then, without in any way limiting, reducing or otherwise qualifying the obligations of the Debtor Party under Clause 15.2, the Issuing Bank or the Bank concerned shall promptly upon becoming aware of the same notify the Agent thereof (and the Agent shall promptly notify the relevant Debtor Party thereof) and, if requested to do so by the relevant Debtor Party, take such reasonable steps, in consultation with the Agent and the relevant Debtor Party, as may reasonably be open to it to mitigate the effects of such circumstances, provided that neither the Issuing Bank nor any Bank shall be under any obligation to take any such action if, in the opinion of the Issuing Bank or such Bank, to do so would or might be prejudicial to it.
- 15.4 **Tax Credits** If the Borrower pays any additional amount under Clause 15.2 (a **Tax Payment**) and the Issuing Bank or any Bank effectively obtains a refund of Tax, or credit against tax on its overall net income, by reason of that Tax Payment (a **Tax Credit**) and the Issuing Bank or that Bank is able to identify the Tax Credit as being attributable to the Tax Payment, then the Issuing Bank or that Bank shall reimburse to the Borrower such amount as the Issuing Bank or that Bank shall determine to be the proportion of the Tax Credit as will leave it (after that reimbursement) in no better or worse position than it would have been in if the Tax Payment had not been required. The Issuing Bank or such Bank shall have an absolute discretion as to whether to claim any Tax Credit and, if it does claim, the extent, order and manner in which it does so. None of the Issuing Bank or the Banks shall be obliged to disclose any information regarding its tax affairs or computations to any Debtor Party.
- 15.5 **Due Dates** Whenever any payment hereunder shall become due on a day which is not a Business Day, the due date thereof shall be extended to the next Business Day or, if the next Business Day falls in the following calendar month, the payment shall be due on the immediately preceding Business Day. During any extension of the due date for payment of any principal of the Loans hereunder interest shall be payable on such principal at the rate payable on the original due date.
- 15.6 **Payments** Except as otherwise indicated herein or, in relation to any enforcement of any Security Document, in such Security Document, all payments made to the Agent by any Debtor Party hereunder shall be promptly distributed by the Agent amongst each Bank **pro rata** according to their respective entitlements hereunder, and in like funds as they are received by the Agent.
- 15.7 **Appropriation** In the case of a partial payment, the Agent shall appropriate such payment towards the obligations of the Debtor Party hereunder in such order as the Agent may in its sole discretion decide. Any such appropriation shall override any appropriation made by the Debtor Party.
16. **INCREASED COSTS**
- 16.1 **Recovery** If the result of any law, regulation (including, without limitation, any regulation of a self-regulatory organisation under the Financial Services Act 1986), treaty or official directive or request (whether or not having the force of law) or any change in or any

20.13.1.1 the terms and conditions of all Environmental Licences applicable to it; and

20.13.1.2 all other applicable Environmental Law;

20.13.2 promptly upon receipt of the same, notify the Agent of any claim, notice or other communication served on it in respect of any alleged breach of or corrective or remedial obligation or liability under any Environmental Law which would be likely, if substantiated, to have or result in a material adverse effect on its business, assets or financial condition or on its ability to comply with its obligations under the Finance Documents; and

20.13.3 indemnify the Agent and the Banks, the Issuing Bank and the Overdraft Bank, each receiver appointed under any Security Document and their respective officers, employees, agents and delegates (together the **Indemnified Parties**) against any cost or expense suffered or incurred by them which:

20.13.3.1 arises by virtue of any actual or alleged breach of any Environmental Law (whether by any Group Company, any Indemnified Party or any other person); and

20.13.3.2 arises by virtue of the release or threatened release of, or exposure to, any Dangerous Substance stored or handled upon, transported from, or otherwise associated with, the past or present facilities or operations of any Group Company; and

20.13.3.3 would not have arisen if the Finance Documents or any of them had not been executed; and

20.13.3.4 was not caused by the negligence or wilful default of the relevant Indemnified Party.

20.14 **Pension Scheme** The Borrower will deliver to the Agent at such time as such reports are prepared, and on such other occasions as the Agent may reasonably request, actuaries' reports in relation to all pension schemes for the time being operated by Group Companies and will ensure that the levels of contribution to such pension schemes are and continue to be sufficient to ensure that such schemes are, by reference to the triennial actuarial valuations thereof, at all times fully funded to the extent necessary to comply with all applicable laws and the rules of such schemes or, if different in respect of any scheme, any undertaking given by the Borrower as to the funding of that scheme.

20.15 **Pari Passu Ranking** Each Debtor Party undertakes that its obligations under this Agreement rank and will at all times rank at least pari passu in right and priority of payment and in point of security with all the other present and future unsecured and unsubordinated obligations, other than obligations applicable generally to companies incorporated in its jurisdiction of incorporation which have priority by operation of law (including, without prejudice to the generality of the foregoing, in respect of employees' remuneration, Taxes and like obligations).

20.16 **Further Support** The Borrower undertakes to grant or procure the grant of further support to the Agent and the Banks in the following manner:-

20.16.1 Initial Financial Assistance The Borrower will procure that within 30 days after the Signing Date each other Charging Group Company (except any such Company which has demonstrated to the satisfaction of the Agent that it has no Relevant Liabilities) delivers evidence satisfactory to the Agent that:-

20.16.1.1 it and, where relevant, its holding companies have complied with Sections 155 to 158 of the Companies Act 1985 in relation to its Relevant Liabilities, including copies of the auditors' reports and statutory declarations given in connection therewith;

20.16.1.2 its obligations under Clause 14 and under every other provision in the Finance Documents to which it is a party extend to such Relevant Liabilities; and

20.16.1.3 its Floating Charge granted pursuant to Clause 4.1 effectively secures such Relevant Liabilities;

and executes and delivers to the Agent an Accession Agreement in the form of Part 1 of Schedule 5.

20.16.2 Notification The Borrower will forthwith notify the Agent:-

20.16.2.1 upon it acquiring any Material Company;

20.16.2.2 upon any Group Company becoming a Material Company or upon Chesterfield Transport Limited receiving all requisite consents or approvals to enable it to comply with Clause 20.16.3.3 (or upon the provisions pursuant to which those consents or approvals arise no longer applying to it);

20.16.2.3 upon any Nominated Subsidiary which is not a Charging Group Company proposing to utilise the Overdraft Facility.

20.16.3 Accession Agreements The Borrower will procure that, in any of the circumstances referred to in Clause 20.16.2, the relevant Company will forthwith execute and deliver to the Agent:-

20.16.3.1 in the case of the acquisition of a Material Company which is not a Rail Group Company, an Accession Agreement in the form of Part 2 of Schedule 5 and a Floating Charge by no later than the date of the acquisition;

20.16.3.2 in the case of the acquisition of a Material Company which is a Rail Group Company, an Accession Agreement in the form of Part 3 of Schedule 5 and such assignments or other security over or in respect of cash cover from such Company or the Borrower or otherwise as the Banks may require by no later than the date of the acquisition;

20.16.3.3 in the case of Chesterfield Transport Limited and/or a Group Company becoming a Material Company, an Accession Agreement in the form of Part 4 of Schedule 5 and a Floating Charge within 30 days after it becomes

a Material Company or becomes (in the case of Chesterfield Transport Limited) able to grant the same;

20.16.3.4 in the case of a Nominated Subsidiary proposing to utilise the Overdraft Facility, an Accession Agreement in the form of Part 5 of Schedule 5 prior to any such Utilisation being made;

20.16.4 **Further Conditions Precedent Documents** The Borrower will procure that each Subsidiary which executes an Accession Agreement and/or other documents pursuant to Clause 20.16.3 also undertakes to deliver to the Agent such documents equivalent to those specified in Clauses 4.1.1 to 4.1.5 and 4.1.13 inclusive and, where required by the Agent, evidence of compliance with Sections 155 to 158 of the Companies Act 1985, together in any case with such other evidence that such Accession Agreement and/or documents are legal, valid and binding and enforceable obligations of such Subsidiary, as the Agent may request.

20.16.5 **Further Assurance** The Borrower shall, and shall procure that each of its Subsidiaries will, create and deliver to the Agent all such deeds, documents, certificates, agreements and assurances as the Agent may from time to time determine acting reasonably as being necessary or desirable to protect and/or perfect the security constituted by any Security Document (including the security intended to extend to any supplemental agreement effected under Clause 2.4), in each case at the cost of the Borrower provided always that this Clause shall not require the granting of any fixed charge other than over any Collateral Account or Cash Cover Account or as may otherwise be required by the Banks in connection with any further Utilisation of Facility D.

The Agent confirms that all Utilisations hereunder will be permitted *inter alia* on the faith of, and in reliance on compliance at the appropriate time with, all the undertakings contained in this Clause 20.16.

20.17 **Intellectual Property** Each Debtor Party will, and will procure that each Group Company will:-

20.17.1 not permit any registration of any of the Intellectual Property which is material to the business of a Group Company to be abandoned, cancelled or lapsed or to be liable to any claim of abandonment for non-use or otherwise;

20.17.2 make such registrations and pay such fees, registration dues and other amounts as are necessary to keep those registered rights to Intellectual Property which are material to the business of a Group Company in force and to record its interest in the Intellectual Property;

20.17.3 not either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily, sell, transfer, lease, licence or otherwise dispose of all or any part of its interest in any Intellectual Property which is material to the business of a Group Company except (a) pursuant to any of the Security Documents or (b) for arrangements in respect of those rights entered into with Group Companies for so long as they remain Group Companies; and

20.17.4 take such steps as are necessary to prevent third parties infringing any Group Company's rights to Intellectual Property.

SCHEDULE 1

Group Companies

Company	Registered No	Registered Office & Place of Incorporation
(A) Charging Group Companies		
East London Bus & Coach Company Limited	2328402	2-4 Clements Road, Iford, Essex IG1 7BA, England
South East London & Kent Bus Company Limited	2328595	180 Bromley Road, Catford, London SE6 2XN, England
Stagecoach (South) Limited	1673542	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Stagecoach (North West) Limited	123665	Bransty Row, Tangier Street, Whitehaven, England
East Midland Motor Services Limited	2199821	New Street, Chesterfield S40 2LQ, England
PSV Claims Bureau Limited	2280592	Frenchwood Avenue, Preston, Lancashire PR1 4LU, England
National Transport Tokens Limited	1076484	Frenchwood Avenue, Preston, Lancashire PR1 4LU, England
East Kent Road Car Company Limited	144585	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Grimsby Cleethorpes Transport Limited	195860	New Street, Chesterfield S40 2LQ, England
Stagecoach West Limited (formerly Western Travel Limited)	2041677	3/4 Bath Street, Cheltenham, Gloucester GL50 14E, England
Cambus Holdings Limited (formerly Legislator 1241 Limited)	3051451	100 Cowley Road, Cambridge, England
Cambus Limited	01822941	100 Cowley Road, Cambridge, England
Premier Travel Services Limited	02221348	100 Cowley Road, Cambridge, England
The Viscount Bus & Coach Company Limited	02381505	100 Cowley Road, Cambridge, England
Bluebird Buses Limited	SC19039	Bus Station, Guild Street, Aberdeen, Grampian AB4 2DR, Scotland
Fife Scottish Omnibuses Limited	SC26126	Esplanade, Kirkcaldy, KY1 1SP, Scotland
Western Scottish Buses Limited	131237	13 Nursery Avenue, Kilmarnock KA1 3SD, Scotland
Stagecoach International Services Limited	SC112360	Charlotte House, Charlotte Street, Perth PH1 5LL, Scotland

(B) NE Group Companies

Transit Advertising Limited	2787490	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
KHCT (Holdings) Limited	2851342	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Tees Valley Company Limited (formerly Cleveland Coaches Limited)	2004002	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Hartlepool Transport (1993) Limited	2811530	1 Church Street, Hartlepool, Cleveland TS24 7DS
Busways Travel Services Limited	2295227	Manors, Newcastle upon Tyne NE1 2EL, England
Cleveland Transit Limited	2546698	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Kingston upon Hull City Transport Limited	1979370	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Hartlepool Transport Limited	2004968	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
City Busways Limited	2032602	Manors, Newcastle Upon Tyne, NE1 2EL, England
Newcastle Busways Limited	2032611	Manors, Newcastle Upon Tyne, NE1 2EL, England
Sunderland Busways Limited	2032620	Manors, Newcastle Upon Tyne, NE1 2EL, England
South Shields Busways Limited	2032616	Manors, Newcastle Upon Tyne, NE1 2EL, England
Armstrong Galley Coaches Limited	689587	Manors, Newcastle Upon Tyne, NE1 2EL, England
Economic Bus Services Limited	2032605	Manors, Newcastle Upon Tyne, NE1 2EL, England
The Quayside Busway Limited	2319232	Manors, Newcastle Upon Tyne, NE1 2EL, England
Favourite Services Limited	2196339	Manors, Newcastle Upon Tyne, NE1 2EL, England
Blue Bus Services (Newcastle) Limited	557390	Manors, Newcastle Upon Tyne, NE1 2EL, England
Busways Travel Services (1986) Limited	1990870	Manors, Newcastle Upon Tyne, NE1 2EL, England
Tyne & Wear Omnibus Company Limited	2813677	Manors, Newcastle Upon Tyne, NE1 2EL, England
Welcome Passenger Transport Limited	2390801	Manors, Newcastle Upon Tyne, NE1 2EL, England
Cleveland Transit Coach Travel Limited	1929454	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Teeside Transit Limited	2338726	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Transit Motor Services Limited	2338728	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Kingstonian Travel Services Limited	2397171	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Hull City Buses Limited	2397176	Church Road, Stockton on Tees,

Coronet Tours (1993) Limited	1903581	Cleveland TS18 2HW, England Church Road, Stockton on Tees,
Citilink Hull Limited	2333523	Cleveland TS18 2HW, England Church Road, Stockton on Tees,
KHCT Limited	1890476	Cleveland TS18 2HW, England Church Road, Stockton on Tees,
Transit Continental Travel Limited	2563521	Cleveland TS18 2HW, England Broadcasting House, Newport Road, Newcastle upon Tyne NE1 2HQ, England
Busways Trustee (No 1) Limited	2326173	Manors, Newcastle upon Tyne NE1 2EL, England
Busways Trustee (No 2) Limited	2948104	Manors, Newcastle upon Tyne NE1 2EL, England
Cleveland Transit Trustee (No 1) Limited	2546661	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Cleveland Transit Trustee (No 2) Limited	2546664	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Cleveland Transit Trustee (No 3) Limited	2546710	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
KHCT (ESOP) Limited	2851339	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
KHCT Trustee Limited	2851338	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Hartlepool Transport (EBT1) Limited	2829811	1 Church Street, Hartlepool, Cleveland TS24 7DS, England
Hartlepool Transport (EBT2) Limited	2829799	1 Church Street, Hartlepool, Cleveland TS24 7DS, England
(C) Dormant Subsidiaries		
East Midland Buses Limited	246920	New Street, Park Road, Chesterfield S40 2LQ, England
Rainworth Travel Limited	2007531	New Street, Park Road, Chesterfield S40 2LQ, England
Maun Buses Limited	1536636	New Street, Park Road, Chesterfield S40 2LQ, England
Sussex Coastline Buses Limited	140534	Lewes Enterprise Centre, 112 Malling Street, Lewes BN7 2RB, England
Hastings Top Line Buses Limited	2213493	Lewes Enterprise Centre, 112 Malling Street, Lewes BN7 2RB, England
Formia Limited	2172875	Lewes Enterprise Centre, 112 Malling Street, Lewes BN7 2RB, England
Hastings Coaches Limited	2213880	Lewes Enterprise Centre, 112 Malling Street, Lewes BN7 2RB, England
P Pythian & Son Limited	871390	Frenchwood Avenue, Preston PR1 4LU, England
Cumberland Motor Services Limited	211159	Tangier Street, Whitehaven, Cumbria, England

Legislator 1060 Limited	2381778	100 Cowley Road, Cambridge, England
Millers Coaches Limited	1714127	100 Cowley Road, Cambridge, England
Millers Tours & Travel Limited	02252181	100 Cowley Road, Cambridge, England
Milton Keynes City Bus Limited	01963446	100 Cowley Road, Cambridge, England
E&T Johnson Coaches (Hanslope) Limited	01022980	100 Cowley Road, Cambridge, England
Peterborough Bus Company Limited	2779033	100 Cowley Road, Cambridge, England
Peterborough Car Care Limited	2059716	100 Cowley Road, Cambridge, England
Buckingham Road Car Limited (formerly MK Metro Limited)	2493030	100 Cowley Road, Cambridge, England
(D) Overseas Subsidiaries		
Stagecoach Malawi Limited	Malawi	PO Box 176, Chichiri, Blantyre, Malawi
Halls Transport Services Limited	Malawi	PO Box 176, Chichiri, Blantyre, Malawi
North Charterland Transport Company Limited	Malawi	PO Box 176, Chichiri, Blantyre, Malawi
Stagecoach (Hong Kong) Limited	Hong Kong	Flat K 18/F International Industrial Centre, 2-8 Kwei Tei Street, Fotan, Hong Kong
Kenya Bus Services (Mombassa) Limited	Kenya	General Wairoingi Street, East Leigh, Nairobi, Kenya
Wellington City Transport Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
New Zealand Bus Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
Cityline (NZ) Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
North City Bus Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
Harbour City Cable Car Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
Skipburn Limited	Ontario, Canada	c/o Fasken Campbell Godfrey, Solicitors, PO Box 20, Toronto-Dominion Bank, Toronto, M5K 1N6, Canada
Kenya Bus Services Limited	Kenya	General Wairuingi Street, East Leigh, Nairobi, Kenya

North Charterland Transport Company Limited	Malawi	PO Box 176, Chichiri, Blantyre, Malawi
North City Bus Limited	New Zealand	45 Onepu Road, PO Box 14070 Kilbirnie, Wellington, New Zealand
Stagecoach International BV	AM271202	Museumplein-11, 1071 DJ Amsterdam
Stagecoach International NV	1554/NV	62 De Ruyterkade, PO Box 812, Curacao, Netherland Antillies
P E W Limited	Malawi	PO Box 176, Chichiri, Blantyre, Malawi
Stagecoach Portugal Limited (formerly Foray 486 Limited)	2754391	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE

(E) **Trustee Companies**

Busways Trustee (No 1) Limited	2326173	Manors, Newcastle upon Tyne, NE1 2EL, England
Busways Trustee (No 2) Limited	2948104	Manors, Newcastle upon Tyne, NE1 2EL, England
Cleveland Transit Trustee (No 1) Limited	2546661	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Cleveland Transit Trustee (No 2) Limited	2546664	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Cleveland Transit Trustee (No 3) Limited	2546710	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
KHCT (ESOP) Limited	2851339	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
KHCT Trustee Limited	2851338	Church Road, Stockton on Tees, Cleveland TS18 2HW, England
Hartlepool Transport (EBT1) Limited	2829811	1 Church Street, Hartlepool, Cleveland TS24 7DS, England
Hartlepool Transport (EBT2) Limited	2829799	1 Church Street, Hartlepool, Cleveland TS24 7DS, England

(F) **Other Subsidiaries which are not Material Companies as at Signing Date**

Vanguard Bus and Coach Company Limited	2381505	3/4 Bath Street, Cheltenham, Gloucestershire GL50 1YE, England
Vanguard Coach & Bus Sales Limited	2425184	3/4 Bath Street, Cheltenham, Gloucestershire GL50 1YE, England
Vanguard Coaches Limited	1555822	3/4 Bath Street, Cheltenham, Gloucestershire GL50 1YE, England
Sharpton Limited	2148648	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
United Counties Omnibus Company	176586	Rothsthorpe Avenue,

Limited		Northampton NN4 9UT, England
Frenchwood Holdings Limited	2178732	Frenchwood Avenue, Preston PR1 4LU, England
South Coast Buses Limited	1705689	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Stagecoach East Kent Limited	2087637	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Stagecoach Kenya Limited	1621388	Frenchwood Avenue, Preston PR1 4LU, England
Ribble Motor Services Limited	155849	Frenchwood Avenue, Preston PR1 4LU, England
Hampshire Bus Company Limited	2230625	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Southdown Motor Services Limited	1961491	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB, England
Cheltenham & Gloucester Omnibus Company Limited	1713578	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, England
Swindon & District Bus Company Limited	2654813	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, England
Cheltenham & District Traction Company Limited	2754390	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, England
Midland Flexibus Limited	2754387	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, England
Midland Red South Limited	1556310	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, England
Generalouter Limited	02109382	100 Cowley Road, Cambridge, England
Stagecoach (Scotland) Limited	SC97212	Guild Street Bus Station, Aberdeen AB9 2DR, Scotland
Stagecoach Glasgow Limited	SC118434	13 Nursery Avenue, Kilmarnock KA1 3SD, Scotland
Stagecoach Rail Limited	SC86090	Charlotte House, 20 Charlotte Street, Perth PH1 5LL, Scotland
Western Scottish Holdings Limited	SC127800	13 Nursery Avenue, Kilmarnock KA1 3SD, Scotland
Western Travel Properties Limited	2263376	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE, Scotland
Circle Line Coach & Omnibus Company Limited	2516194	Abbey Road, Monk Meadow, Hempstead, Gloucester GL2 6HU, England
Red & White Services Limited	2555509	3/5 Bath Street, Cheltenham, Gloucester GL50 1YE
Aberdare Bus Co Limited	2680742	3/5 Bath Street, Cheltenham, Gloucester GL50 1YE
The Valleys Bus Co Limited	2674158	3/5 Bath Street, Cheltenham, Gloucester GL50 1YE
The Eastern Valleys Bus Co Limited	2680758	3/5 Bath Street, Cheltenham,

East Kent Nominees Limited	2114404	Gloucester GL50 1YE Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB
East Kent Coaches Limited	1551557	Lewes Enterprise Centre, 112 Malling Street, Lewes, East Sussex BN7 2RB
Stagecoach (Western Scottish) Limited	SC91904	13 Nursery Avenue, Kilmarnock KA1 3SD, Scotland
Clyde Islands Bus Company Limited	SC24861	Nursery Avenue, Kilmarnock KA1 3JD
Stagecoach (A1) Service Limited	SC16447	Nursery Avenue, Kilmarnock KA1 3JD
Chesterfield Transport Limited	1997102	New Street, Chesterfield, Derbyshire S40 2LQ
Chesterfield Transport (1989) Limited	2404044	New Street, Chesterfield, Derbyshire S40 2LQ
Whites World Travel Limited	2822774	New Street, Chesterfield, Derbyshire S40 2LQ
Halliday Travel Limited	2245309	New Street, Chesterfield, Derbyshire S40 2LQ
Western Valleys Bus Co Limited	2680754	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE
C & G Travel Limited	2406571	3/4 Bath Street, Cheltenham, Gloucester GL50 1YE
Magicbus (Scotland) Limited	SC102049	Charlotte House, 20 Charlotte Street, Perth PH1 5LL, Scotland

(G) **Associated Companies**

Nicecon Limited	SC138343	395 King Street, Aberdeen Scotland
Trans-media Advertising Limited	2218360	Frenchwood Avenue, Preston, Lancashire PR1 4LU, England
Pegasus Express Limited	SC148046	Bus Station, Guild Street, Aberdeen AB9 2DR, Scotland
SB Holdings Limited	SC129033	197 Victoria Road, Glasgow G42 7AD
Stagecoach Portugal Transportes Rodoviaros Lda	973023716	Rua Tomas de Ribeiro 54-40E, Lisbon
Routemaster Reinsurance Limited	214501	80 Harcourt Strait, Dublin 2

SCHEDULE 8

Existing Guarantees

Account	Beneficiary	Start Date	Expiry Date	Amount (£)
Borrower	Busways	25.8.94	26.7.19	3,523,954
Borrower	Western Travel	10.12.93	31.12.98	83,828
Borrower	Cleveland	14.11.94	1.2.01	1,245,345
Borrower	Hartlepool	5.1.95	1.2.01	116,467
Borrower	Cambus	6.12.95	2000	6,623,722
Stagecoach West	ABTA	1.9.94	29.2.96	20,000
East London	Zurich Insurance Co	13.9.94	30.6.95	50,000
National Transport Tokens	Greater Manchester Passenger Transport Executive	3.3.92	--	400,000
Ribble Motor Services	ABTA	1.8.95	31.7.97	25,000
South East London & Kent	Zurich Insurance Co	13.9.94	31.12.95	50,000
Stagecoach East Kent	Crowe Motor Policies at Lloyds	8.11.93	--	95,600
Stagecoach East Kent	Bonded Coach Holiday Group	26.11.93	30.6.96	110,000
Stagecoach West	Barclays Bank	9.12.93	--	4,000

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

199 St Vincent Street
Glasgow G2 5QD
0141 248 7941 Telephone
0141 248 6155 Facsimile

22 March 1996

The Directors
East London Bus & Coach Company Limited
2-4 Clements Road
Ilford
Essex
IG1 7BA

Our ref leajbx56

Dear Sirs

**Auditors' Report to the Directors of East London Bus & Coach Company Limited
Pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 22 March 1996 in connection with the proposal that the company should give financial assistance for the purchase of its entire ordinary share capital. We have enquired into the company's affairs so far as necessary for us to review the basis for the statutory declaration.

The statutory declaration is the responsibility of the directors. Our responsibility is to review the basis for the declaration, based on our enquiries into the state of the company's affairs, and to provide a report to the directors.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



Arthur Andersen