

Declaration by the directors of a holding company in relation to assistance for the acquisition of shares

155(6)b

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 lettering**

**To the Registrar of Companies
(Address overleaf - Note 5)**

For official use

Company number

00002404

Name of company

Note
Please read the notes
on page 3 before
completing this form

- Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited

* insert full name
of company

XWe 8 Thomas James Docherty of Garden Cottage, Fritham
Court, Fritham, Lyndhurst, Hampshire SO43 7HH

• insert name(s) and address(es) of all the directors

Colin Crawford Hetherington of Woodpeckers, 64 Baring Road, Cowes, Isle
of Wight, PO31 8DJ

Richard Antony Cargill Scott of 8 Folkestone Road, Salisbury,
Wiltshire, SP2 8JPX

† delete as appropriate

~~the said directors~~ [all the directors] † of the above company (hereinafter called 'this company') do solemnly and sincerely declare that

§ delete whichever
is inappropriate

The business of this company is

(a) XXXXXXXXXXXXXXXXXX0000000000000000XXXXXXX XXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXS

(b) [REDACTED]

[REDACTED]

(c) something other than the above §

This company is ~~not~~ [a] holding company of* Red Funnel Distribution Limited
(registered number 00152165) (the "**Subsidiary**") _____ which is
proposing to give financial assistance in connection with the acquisition of shares
in ~~Red Funnel Group Limited~~ Red Funnel Group Limited of 12 Bugle Street, Southampton,
Hants SO14 2JY _____ the holding company of this company] †

Presentor's name address and
reference (if any)
Lovells LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG
57 London Chancery Lane

For official Use
General Section

TUESDAY



A57

AHIAWU1A

23/10/2007

66

COMPANIES HOUSE

The assistance is for the purpose of ~~XXXXXXXXXX~~ [reducing or discharging a liability incurred for the purpose of that acquisition] † (note 1)

Please do not write in this margin

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

The number and class of the shares acquired or to be acquired is 1,020,586 ordinary "A" shares and 4,414 ordinary "B" shares

The assistance is to be given to (note 2) Red Funnel Group (Holdings) Limited of 12 Bugle Street, Southampton, Hants SO14 2JY (the "Purchaser")

The assistance will take the form of

Please see Appendix 1

The person who [has acquired] ~~XXXXXXXXXX~~ † the shares is Red Funnel Group (Holdings) Limited

† delete as appropriate

The principal terms on which the assistance will be given are

Please see Appendix 2

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is Nil

The amount of cash to be transferred to the person assisted is £ Please see Appendix 3

The value of any asset to be transferred to the person assisted is £ N/A

The date on which the assistance is to be given is within 8 weeks of the date herof

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

~~X~~We have formed the opinion, as regards this 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 this company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

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

[illegible]

And ~~X~~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

Sanctification

Declarants to sign below

1. Society
Ch. Hottel

Day Month Year

on 1810 3007

before me

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

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
CF14 3UZ

or, for companies registered in Scotland -

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

APPENDICES TO FORM 155(6)b

APPENDIX 1: FORM OF FINANCIAL ASSISTANCE

1 SENIOR FACILITIES AGREEMENT AND INTERCREDITOR DEED

1.1 The execution by the Subsidiary on or about the date of this Form 155(6)b of an accession memorandum (the "**Accession Memorandum**") pursuant to which the Company will accede to (i) the intercreditor agreement entered into between Falcon Acquisitions Limited, Falcon Acquisitions Subholdings Limited and HSBC Bank plc (in various capacities) (the "**Intercreditor Agreement**") and (ii) a senior facilities agreement entered into between HSBC Bank plc (in various capacities), the Falcon Acquisitions Limited (the Borrower), Falcon Acquisitions Subholdings Limited and the parties listed in the senior facilities agreement as the Original Guarantors (the "**Senior Facilities Agreement**") which sets out the terms on which the Lenders would provide to the Borrowers

- (a) a senior sterling term loan facility in an aggregate amount equal to the Total Tranche A1 Commitments and the Total Tranche A2 Commitments of £120,000,000 ("**Facility A**"),
- (b) a senior sterling term loan facility in an aggregate amount equal to the Total Facility B Commitments of £3,000,000 ("**Facility B**"),

(collectively the "**Senior Term Facilities**"), and
- (c) a senior sterling revolving credit facility in an aggregate amount equal to the Total Revolving Facility Commitments of £12,000,000 (the "**Revolving Facility**")

The Senior Term Facilities and the Revolving Facility are together referred to in these appendices as the "**Senior Facilities**"

1.2 The Senior Term Facilities are made available to the Borrowers for the following purposes

- (a) amounts borrowed under the Tranche A1 Loan will be applied towards
 - (i) payment to the Vendors of part of the purchase price for the Target Shares under the Acquisition Agreement,
 - (ii) payment of amounts to the trustees of the Red Funnel Staff Pension Scheme,
 - (iii) payment of the Costs in connection with the Acquisition or the Transaction Documents, and
 - (iv) the payment or repayment, or on-lending to each relevant member of the Group to apply towards the payment or repayment, of certain Existing Debt of the Target Group, including any related Costs, breakage costs and interest rate swap termination costs,

in each case in accordance with the Funds Flow Statement,



- (b) amounts borrowed under the Tranche A2 Loan will be applied towards the payment or repayment, or on-lending to each relevant member of the Group to apply towards the payment or repayment, of certain Existing Debt of the Target Group, including any related Costs, breakage costs and termination costs as described in the Funds Flow Statement,
- (c) amounts borrowed under the initial Facility B Loan towards the payment or repayment, or on-lending to Red Funnel Group Limited will be applied towards the payment or repayment, of the Existing Debt outstanding under the Asset Finance Facility Agreement, including any related Costs and breakage costs, and
- (d) amounts borrowed under each subsequent Facility B Loan will be applied or on-lend to Red Funnel Group Limited to apply, and Red Funnel Group Limited (following its accession as an Additional Borrower) shall apply towards capital expenditure or purchase of assets in connection with the IMCaT Programme

1.3 The Revolving Facility is made available to the Borrowers for the following purposes

- (a) amounts borrowed under the initial Revolving Facility Loan will be applied towards providing guarantees in respect of the Guaranteed Loan Notes, and
- (b) amounts borrowed under subsequent Revolving Facility Loans, any Letter of Credit and any utilisation of any Ancillary Facility will be applied towards the general corporate purposes of the Group

Each capitalised term used in this paragraph 1 and (where relevant) subsequently in Appendix 2 is as defined in the Senior Facilities Agreement if not otherwise defined herein

2 **DEBENTURE**

The execution by the Subsidiary of a debenture (the "**Debenture**") charging the whole of its property, assets and undertaking from time to time in favour of HSBC Bank plc (as security agent for the Beneficiaries to secure the liabilities of the Subsidiary under the Finance Documents

Each capitalised term used in this paragraph 3 and (where relevant) subsequently in Appendix 2 is as defined in the Debenture

3 **INTRA GROUP LOAN AGREEMENT**

The entry by the Subsidiary into an intra group loan agreement to be entered into by the Falcon Acquisitions Limited (as Borrower) and the Subsidiaries (as defined therein) and others (as lenders) (the "**Intra Group Loan**")

All terms which are defined in the text of this Appendix 1 shall have the same meaning when used elsewhere in Appendix 2



APPENDIX 2: THE PRINCIPAL TERMS ON WHICH THE FINANCIAL ASSISTANCE WILL BE GIVEN

1 SENIOR FACILITIES AGREEMENT

By executing the Accession Memorandum (as defined in Appendix 1), the Subsidiary will, amongst other things

- 1 1 irrevocably and unconditionally (jointly and severally with the other Guarantors)
- (a) guarantee to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents,
 - (b) undertake with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, the Subsidiary shall immediately on demand pay that amount as if it was the principal obligor, and
 - (c) indemnify each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal whether or not such costs, loss or liability arise as a direct or indirect result of such enforceability, invalidity or illegality) The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover
- 1 2 give various representations and warranties, undertakings and indemnities to the Finance Parties to enable the Finance Parties to make the facilities under the Senior Facilities Agreement available and agree to pay certain costs, fees and expenses to the Finance Parties

2 INTERCREDITOR AGREEMENT

By executing the Accession Memorandum, the Subsidiary will

- (a) acknowledge (amongst other things) the arrangements made between the other parties to the Deed which regulate the ability of the Subsidiary to make certain payments to those parties and the priorities between the parties thereto,
- (b) agree that intercompany debts are postponed and subordinated to the liabilities owed by the Obligors to the Finance Parties, and
- (c) give various representations and warranties, undertakings, covenants and indemnities, and agree to pay certain costs, fees and expenses to the Finance Parties

In this paragraph 2 each capitalised term has the meaning given to it in the Intercreditor Agreement

3 DEBENTURE

3 1 By executing the Debenture, the Subsidiary will, amongst other things

- (a) covenant with the Security Trustee that it will, on the Security Trustee's written demand, pay or discharge the Secured Sums at the times and in the manner provided in the relevant Finance Documents,
- (b) charge all of its undertaking, property and assets (both present and future) by way of fixed and floating charges to secure its obligations to the Beneficiaries, and

- (c) give various undertakings, covenants and indemnities, and agree to pay certain costs, fees and expenses to the Security Trustee (for the Beneficiaries)
- 3 2 The Subsidiary also agrees in the Debenture to promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Trustee may reasonably specify and in such form as the Security Trustee may reasonably require, subject to the Agreed Security Principles, in order to
- (a) perfect or protect the Security created or intended to be created under or evidenced by the Debenture or for the exercise of any rights, powers and remedies of the Security Trustee or the Finance Parties provided by or pursuant to the Debenture or by law,
 - (b) confer on the Security Trustee or confer on the Finance Parties, Security over any property and assets of the Subsidiary located in any jurisdiction which is (to the extent permitted by local law) equivalent or similar to the Security intended to be conferred by or pursuant to the subject of the Debenture, and/or
 - (c) facilitate the realisation of the assets which are, or are intended to be, the subject of the Debenture
- 3 3 The Subsidiary also agrees to take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Trustee or the Finance Parties by or pursuant to the Debenture

4 INTRA GROUP LOAN AGREEMENT

By executing an Intra Group Loan Agreement (as defined in Appendix 1) the Subsidiary and the other group companies party to it as lenders provide Falcon Acquisitions Limited (the "**Parent**") with loan facilities in sufficient amounts to enable the Parent to make payments due under the Senior Facilities Agreement. Outstandings under the Intra Group Loan Agreement will be repayable on the Subsidiary's first demand and will bear interest at the rate referred to therein

Note In these financing arrangements references to the Senior Facilities Agreement, the Intercreditor Agreement and the Debenture include reference to such document as varied in any manner from time to time, even if changes are made to the composition of the parties to such document or to the nature or amount of any facilities made available under such document

Handwritten signature and initials, possibly 'R. T. S.' and 'C. S.', in the top right corner.

APPENDIX 3: THE AMOUNT OF CASH TO BE TRANSFERRED TO THE PERSON ASSISTED

Nil but the Subsidiary has entered into a commitment under the terms of the Intra Group Loan Agreement to make loan facilities available to Falcon Acquisitions Limited in certain circumstances of up to a maximum principal amount of £162,000,000

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

The Directors
Southampton Isle of Wight and South of England Royal Mail Steam Packet Company
Limited
12 Bugle Street
Southampton
SO14 2JY

**AUDITORS' REPORT TO THE DIRECTORS OF SOUTHAMPTON ISLE OF
WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED (THE COMPANY) PURSUANT TO SECTION 156(4) OF THE
COMPANIES ACT 1985**

We have examined the attached statutory declaration of the directors dated 18 October 2007 in connection with the proposal that the Company's subsidiary, Red Funnel Distribution Limited, should give financial assistance for the purchase of 1,020,586 'A' ordinary shares and 4,414 'B' ordinary shares in the Company's indirect holding company, Red Funnel Group Limited

BASIS OF OPINION

We have enquired into the state of the Company's affairs in order to review the basis for the statutory declaration

OPINION

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



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18 October 2007

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