

G

COMPANIES FORM No. 155(6)a

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 lettering

To the Registrar of Companies

For official use

Company number

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

*Insert full name of company

†Insert name(s) and address(es) of all the directors

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

†We†

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;

Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;

Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;

Keith Heller of 56 Scarsdale Villas, London, W8 6PP;

Lord Griffiths of Fforestfach of 133 Fleet Street, London, EC4A 2BB;

Claude Mongeau of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and

David Richwhite of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as appropriate

†Delete whichever is inappropriate

~~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 (recognised bank licensee institution) within the meaning of the Banking Act 1979;†~~

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on 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]~~

†

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

Post room



LD4
COMPANIES HOUSE

450
12/06/2006

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

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write in
this margin

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

The assistance will take the form of:

See appendix 1

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

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

† 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) † 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 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 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 soussigné, Maître **Xavier BRUNET**

Notaire associé à Annecy (FRANCE)

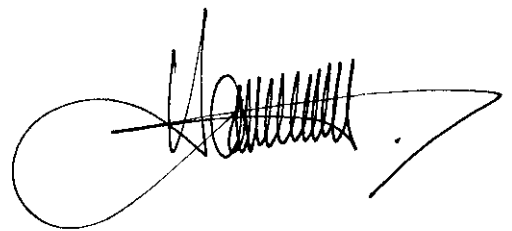
certifie sincère et véritable la signature

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~~One thousand nine hundred and~~ **M. CONGER**

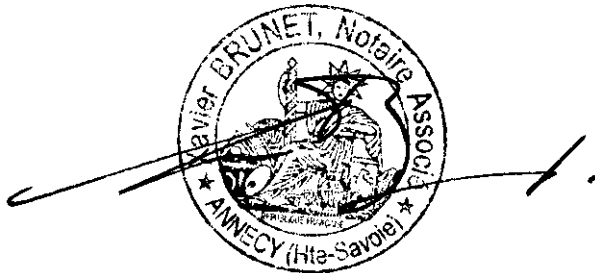
Fait à Annecy le **5/6/06**

Declarants to sign below



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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the **EWS Facilities**). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the **Guarantors**) entering into a composite guarantee and indemnity (the **Guarantee**).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the **Security Deed**).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the **Share Charges**).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the **Enforcement Agreement**).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3655
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

Auditors' report to the directors of English Welsh & Scottish Railway Holdings Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

**Declaration in relation to
assistance for the acquisition
of shares.**

155(6)a

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

Please complete
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To the Registrar of Companies

For official use Company number

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03116322

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

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

*Insert full name
of company

†Insert name(s) and
address(es) of all
the directors

WWE†

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;

Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;

Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;

Keith Heller of 56 Scarsdale Villas, London, W8 6PP;

Lord Griffiths of Fforestfach of 133 Fleet Street, London, EC4A 2BB;

Claude Mongeau of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and

David Richwhite of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as
appropriate

†Delete whichever
is inappropriate

~~(a) that of a recognised bank (licensed institution) within the meaning of the Banking Act 1979;~~
[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 recognised bank (licensed institution) within the meaning of the Banking Act 1979;~~

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry
on 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~~

†

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: (i) 5,921,765 ordinary shares of £1.00 each
in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by
MJ UK Railway Holdings LLP.

Presentor's name, address and
reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

Post room

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

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The assistance will take the form of:

See appendix 1

The person who (has acquired ~~the shares~~)* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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†Delete either (a) or
(b) as appropriate

~~1~~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) ~~1~~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)

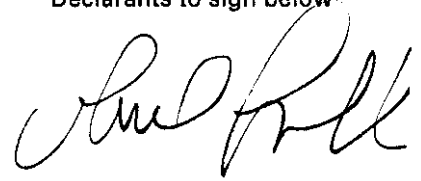
(b) ~~It is intended to commence the winding up of the company within 12 months of that date, and we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.] † (note 3)~~

And ~~1~~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 Boston, Massachusetts

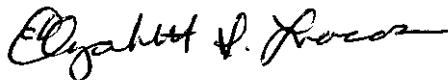
Declarants to sign below

the 5th day of June, 2006
~~One thousand nine hundred and~~



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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
- (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,

on the terms agreed.

- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
- (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,

on the terms agreed.

- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
- (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

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Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

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RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3656
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

**Auditors' report to the directors of English Welsh & Scottish Railway Holdings
Limited pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

Declaration in relation to assistance for the acquisition of shares.

155(6)a

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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

For official use

Company number

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03116322

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

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

* Insert full name of company

† Insert name(s) and address(es) of all the directors

~~Wet~~

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;

Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;

Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;

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David Richwhite of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as appropriate

† Delete whichever is inappropriate

~~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 recognised bank or licensed institution within the meaning of the Banking Act 1979;~~

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on 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~~

†

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use

General Section

Post room

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

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write in
this margin

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

The assistance will take the form of:

See appendix 1

The person who [has acquired ~~with a purchase~~]* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

~~It~~ 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) ~~It~~ 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 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 ~~it~~ 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 *Montreal Quebec*

Declarants to sign below

the *5th* day of *June* 2006.
~~One thousand nine hundred and~~

Sean Finn

before me

Maria Castelli

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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3655
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

**Auditors' report to the directors of English Welsh & Scottish Railway Holdings
Limited pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

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 lettering

To the Registrar of Companies

For official use

Company number

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03116322

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

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

*Insert full name of company

~~WWE†~~

†Insert name(s) and address(es) of all the directors

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;
Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;
Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;
Keith Heller of 56 Scarsdale Villas, London, W8 6PP;
Lord Griffiths of Fforestfach of 133 Fleet Street, London, EC4A 2BB;
Claude Mongeau of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and
David Richwhite of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as appropriate

~~[the sole director]~~ [all the directors] of the above company do solemnly and sincerely declare that:

The business of the company is:

‡Delete whichever is inappropriate

- (a) ~~that of a recognised bank (licensed institution) within the meaning of the Banking Act 1979~~ ‡
(b) ~~that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on 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~~

‡

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

Post room

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

Please do not
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this margin

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

The assistance will take the form of:

See appendix 1

The person who [has acquired ~~it with assistance~~]* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

~~1/~~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) ~~1/~~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 1/ 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 ~~1/~~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

Declarants to sign below

391 City Road
London EC1V 1NE
the 5th day of June 2006
~~One thousand nine hundred and~~

K. I. [Signature]

before me

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

OGUN SOLICITORS
391 CITY ROAD
LONDON EC1V 1NE
TEL: +44 (020) 7 833 8828
FAX: +44 (020) 7 713 7474
DX 400212 FINSBURY 2

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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3655
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

**Auditors' report to the directors of English Welsh & Scottish Railway Holdings
Limited pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

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 lettering

To the Registrar of Companies

For official use

Company number

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03116322

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

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

*Insert full name of company

†Insert name(s) and address(es) of all the directors

~~Wet~~

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;

Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;

Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;

Keith Heller of 56 Scarsdale Villas, London, W8 6PP;

Lord Griffiths of Fforestfach of 133 Fleet Street, London, EC4A 2BB;

Claude Mongeau of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and

David Richwhite of Appartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as appropriate

‡Delete whichever is inappropriate

~~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 recognised bank or licensed institution within the meaning of the Banking Act 1979~~ ‡

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on 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~~.

‡

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

Post room

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

Please do not
write in
this margin

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

The assistance will take the form of:

See appendix 1

The person who [has acquired ~~the shares~~]* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

† 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) † 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 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 † 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

133 FLEET STREET

ECAA 288

the 05 day of June 2006

~~One thousand nine hundred and~~

Declarants to sign below

before me *Commissioner*

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

EVERSMEDS LLP

85 QUEEN VICTORIA ST.

LONDON, ECAV 9JL

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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel: +44 (0) 113 231 3000
Fax: +44 (0) 113 231 3655
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

**Auditors' report to the directors of English Welsh & Scottish Railway Holdings
Limited pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

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 lettering

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

* Insert full name of company

† Insert name(s) and address(es) of all the directors

To the Registrar of Companies

For official use

Company number

--	--	--	--

03116322

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

I/We†

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;

Carl Ferenbach of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;

Sean Finn of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;

Keith Heller of 56 Scarsdale Villas, London, W8 6PP;

Lord Griffiths of Fforestfach of 133 Fleet Street, London, EC4A 2BB;

Claude Mongeau of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and

David Richwhite of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

Delete as appropriate

† Delete whichever is inappropriate

~~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 recognised bank or licensed institution within the meaning of the Banking Act 1979~~†

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on 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~~

†

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

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 appendix 1

The person who [has acquired ~~by~~with acquire]* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

~~1/~~ 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) ~~1/~~ 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 1/ 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 ~~1/~~ 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 *Montreal, Quebec*

Declarants to sign below

the *5th* day of *June 2006*.
~~One thousand nine hundred and~~

before me

Maria Castelli

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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE GIVEN

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF punctual performance by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3655
DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

Auditors' report to the directors of English Welsh & Scottish Railway Holdings Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor

G

COMPANIES FORM No. 155(6)a

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 lettering

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

*Insert full name
of company

†Insert name(s) and
address(es) of all
the directors

Delete as
appropriate

‡Delete whichever
is inappropriate

To the Registrar of Companies

For official use

Company number

--	--	--	--

03116322

Name of company

* English Welsh & Scottish Railway Holdings Limited (hereinafter referred to as "the company")

†We†

Hamdi Conger of 7 Briar Road, Newthorpe, Nottinghamshire, NG16 2BN;**Carl Ferenbach** of 87 Pinckney Street, Boston, Massachusetts, MA 02114, USA;**Sean Finn** of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada;**Keith Heller** of 56 Scarsdale Villas, London, W8 6PP;**Lord Griffiths of Fforestfach** of 133 Fleet Street, London, EC4A 2BB;**Claude Mongeau** of 935 de la Guacheterie Street West, Floor 16, Montreal, Quebec H3B 2M9, Canada; and**David Richwhite** of Apartment 16 Hale House, 34 De Vere Gardens, London, W8 5AQ.

~~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 recognised bank, licensed institution or within the meaning of the Banking Act 1979, ‡~~

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry~~

~~on 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~~ ‡

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: (i) 5,921,765 ordinary shares of £1.00 each in the company, acquired by UK Railway Holdings (BVI) Limited, and (ii) 736,212 ordinary shares of £1.00 each in the company, acquired by MJ UK Railway Holdings LLP.

Presentor's name, address and
reference (if any):

FRESHFIELDS BRUCKHAUS
DERINGER
65 FLEET STREET, LONDON
ENGLAND EC4Y 1HS
DX 23 LONDON/CHANCERY
LANE

For official use
General Section

Post room

The assistance is to be given to: (note 2)

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA and (iii) English Welsh & Scottish Railway Limited of McBeath House, 310 Goswell Road, London, EC1V 7LL.

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 appendix 1

The person who [has acquired ~~the shares~~]* the shares is:

(i) UK Railway Holdings (BVI) Limited of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands; and (ii) MJ UK Railway Holdings LLP of 9E Lockerman Street, Suite 1B, Dover DE 19901, County of Kent, USA

*Delete as
appropriate

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

See appendix 2

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 See appendix 3

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

~~1~~ 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) ~~1~~ 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 1~~ 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 ~~1~~ 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 *Auckland, New Zealand*

Declarants to sign below

the *5th* day of *June 2006*

~~One thousand nine hundred and~~

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.

Roger J C Partridge
Solicitor
Auckland

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.

ENGLISH WELSH & SCOTTISH RAILWAY HOLDINGS LIMITED (EWS)

The assistance in this transaction (where applicable in respect of each relevant party) will take the form of:

- (a) EWSR, EWSI (each as a seller of its debts and EWSR as a borrower) and EWS entering into new financing facilities with LTSBCF (which facilities will then be sub-participated to Lloyds TSB Bank plc and certain other banks or financial institutions) totalling (in aggregate with the BVI Facility as defined below) up to £150 million (the *EWS Facilities*). The EWS Facilities will comprise Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts) and a Property Loan Agreement and a Plant and Machinery Loan Agreement (each with EWSR as borrower). At the same time as entering into the EWS Facilities, EWS cancelling its existing bank facilities with Barclays Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.
- (b) the providing of guarantees and the giving of indemnities in respect of the EWS Facilities and the BVI Facility (as defined below) in favour of LTSBCF by EWS, EWSR, EWSI and RES (together the *Guarantors*) entering into a composite guarantee and indemnity (the *Guarantee*).
- (c) the Guarantors entering into a security deed in connection with the EWS Facilities and the BVI Facility, under which security will be granted in favour of LTSBCF by each of them over all of their assets and undertakings (the *Security Deed*).
- (d) E&W, RD and B&A, each entering into a security document in connection with the EWS Facilities and the BVI Facility granting a charge in favour of LTSBCF over all of the shares in EWSI, RES and EWSR respectively (the *Share Charges*).
- (e) EWS (together with EWSR, EWSI, RES, B&A, RD, E&W and BVI) and LTSBCF entering into an enforcement agreement (the *Enforcement Agreement*).

**APPENDIX 2 – PRINCIPAL TERMS ON WHICH THE ASSISTANCE WILL BE
GIVEN**

- (a) Pursuant to the EWS Facilities, EWSR and EWSI paying certain fees to LTSBCF in connection with the EWS Facilities and the BVI Facility.
- (b) Pursuant to the Guarantee, EWS (together with EWSI, EWSR and RES on a joint and several basis) will enter into obligations as Guarantors in relation to the EWS Facilities and the BVI Facility to:
 - (i) guarantee to LTSBCF *punctual performance* by EWS, EWSR, EWSI and BVI of each of their respective obligations under or in connection with the EWS Facilities and the BVI Facility;
 - (ii) undertake with LTSBCF that whenever EWS, EWSR, EWSI and BVI does not pay any amount when due under or in connection with the EWS Facilities and the BVI Facility, it shall immediately on demand pay that amount as if it was the principal obligor; and
 - (iii) indemnify LTSBCF immediately on demand against any cost, loss or liability suffered by LTSBCF if any obligation guaranteed by EWS, EWSR, EWSI and BVI is or becomes unenforceable, invalid or illegal,on the terms agreed.
- (c) Pursuant to the Security Deed, EWS (together with EWSR, EWSI and RES):
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF;
 - (ii) will create fixed and floating charges over its assets and undertakings as security for their respective Liabilities under the Finance Documents;
 - (iii) will undertake to do all such acts or execute all such documents as LTSBCF requires to:
 - (A) perfect or protect the Charges or the priority of the Charges; and/or
 - (B) facilitate the realisation of the Charged Assets or the exercise of any rights vested in LTSBCF or any receiver; and
 - (iv) will promptly execute and deliver to LTSBCF a Charge of such of its real property from time to time in England and/or Wales as LTSBCF requires,on the terms agreed.
- (d) Pursuant to the Share Charges, B&A, RD and E&W, amongst other things:
 - (i) will covenant to pay to LTSBCF all Liabilities when due in accordance with its terms or, if they do not specify the time for payment, immediately on demand by LTSBCF; and
 - (ii) will create fixed charges over the shares they hold in the capital of EWSR, RES and EWSI respectively,

on the terms agreed.

- (e) Pursuant to the Enforcement Agreement, EWS (together with EWSR, EWSI and RES) and LTSBCF will enter into arrangements relating to (amongst other things) security issues relating to the New Security Documents, the Guarantee and Indemnity Document, the EWS Facilities and the BVI Facility.

DEFINITIONS

BVI Facility means a £20 million loan facility which BVI proposes enter with LTSBCF (in which Lloyds Bank plc and certain other banks or other banks or other financial institutions will again sub-participate);

B&A means Boreal & Austral Railfreight Limited (company number 3164272);

BVI means UK Railway Holdings (BVI) Limited (registered in the British Virgin Islands with the number 565232);

Charged Assets means the assets of EWS, EWSR, EWSI, RES and/or any assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets;

Charges means all or any of the security created or expressed to be created by or pursuant to the Security Deed by EWS, EWSR, EWSI and/or RES;

EWSI means English Welsh & Scottish Railway International Limited (company number 3232475);

EWS means English Welsh & Scottish Railway Holdings Limited (company number 3116322);

EWSR means English Welsh & Scottish Railway Limited (company number 2938988);

E&W means East & West Railway Limited (company number 3180966);

Finance Documents means each of the Debt Purchase Agreements (individually with each of EWSR and EWSI as seller of its respective debts), the Property Loan Agreement and the Plant and Machinery Loan Agreement, the Guarantee, the Security Deed, the Share Charges, the Enforcement Agreement, any accession letters, any resignation letter and any other document designated as such by the relevant parties;

Liabilities means all present and future moneys, debts and liabilities due, owing or incurred by it to any secured party under or in connection with any Finance Document (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise);

LTSBCF means Lloyds TSB Commercial Finance Limited (company number 733011);

New Security Documents means the Share Charges and the Security Deed together;

RD means Res December Limited (company number 3134604); and

RES means Rail Express Systems Limited (2938991).

APPENDIX 3 – DATE ON WHICH FINANCIAL ASSISTANCE IS TO BE GIVEN

A date being not later than eight weeks from the date hereof.



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DX 724440 Leeds

The Directors
English Welsh & Scottish Railway Holdings
Limited
McBeath House
310 Goswell Road
London EC1V 7LL

Our ref rf/218

Dear Sirs

Auditors' report to the directors of English Welsh & Scottish Railway Holdings Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 5 June 2006 in connection with the proposal that the company should give financial assistance for the purpose of reducing or discharging a liability previously incurred for the purpose of the purchase of the company's ordinary shares.

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work under section 156(4) of that Act or for this report.

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

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

KPMG LLP

Registered Auditor



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Yours faithfully

KPMG LLP
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Registered Auditor