

The Cunard Steam-Ship Company Limited
(formerly The Cunard Steam-Ship Company p.l.c.)

Directors' report and financial statements

31 December 1996

Registered number 12286C



The Cunard Steam-Ship Company Limited
(formerly The Cunard Steam-Ship Company p.l.c.)

Directors' report and financial statements

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The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the 15 month period ended 31 December 1996.

Re-Registration as a Private Company

The Company was re-registered as a private limited company on 8 March 1996.

Principal Activity and Business Review

The Company's principal activities during the period were the ownership and leasing of assets. On 26 March 1997 the trade carried out by the Company together with all the assets used in that trade were sold to a fellow wholly owned subsidiary within the Kværner Group, Cunard Charter Hire Limited. The Company will continue as a holding company whose subsidiaries are involved in the operation of passenger ships.

During the period the Company disposed of the Floating Platform Emerald Producer and the passenger vessel, Cunard Countess. The Company's interest in Cunard Travel Limited was sold to a fellow subsidiary in the Kværner Group. In addition, the Company entered into an agreement with an external party for the sale of the passenger vessel, m.v. Sagafjord. Delivery of the vessel took place in April 1997.

Change in Ultimate Holding Company

On 13 March 1996 Kværner ASA, a company registered in Norway, made Offers for the ordinary and convertible preference share capital of the Company's ultimate holding company at that date, Trafalgar House Public Limited Company. On 17 April 1996 the Offers were declared unconditional in all respects. As a result from 17 April 1996 the Company's ultimate holding company has been Kværner ASA.

Change in Accounting Reference Date

During the period the Company changed its accounting reference date from 30 September to 31 December each year so as to be coterminous with that of its new ultimate holding company. The accounting period which commenced on 1 October 1996 was extended and ended on 31 December 1996.

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Directors' Report, continued

Results

The results for the period are set out in the profit and loss account on page 7.

The Company changed the currency in which it reports from sterling to US dollars (see note 1 of the Notes to the Financial Statements).

Share Capital

The authorised and issued share capital of the Company was increased from £28,000,000 to £223,000,000 on 9 February 1996 to provide the Company with further capital (see Note 15 of the Notes to the Financial Statements).

Dividends

The Directors do not propose to recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the period ended 31 December 1996.

Directors

The following persons were Directors of the Company during the period:-

Mr E. Tønseth	(appointed 18 April 1996)
Mr A. Pankakoski	(appointed 1 November 1996)
Mr K. Ursin-Smith	(appointed 18 April 1996)
Mr D. Gawler	(resigned 18 April 1996)
Mr N.M.S. Rich	(resigned 18 April 1996)
Mr P.T. Ward	(resigned 31 October 1996)
Mr J.A. Watkins	(resigned 18 April 1996)

Directors' Interests

None of the Directors at 31 December 1996 had any interests requiring to be disclosed under the Companies Act 1985. There have been no changes to this position between 31 December 1996 and the date of this report.

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Directors' Report, continued

Creditor Payment Policy

Statutory Regulations issued under the Companies Act 1985 require the Company to make a statement of its policy on the payment of trade creditors.

Operating businesses within the Kværner Group are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is the Company's policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Auditors

KPMG resigned as auditors of the Company on 22 October 1996. Arthur Andersen were appointed by the Directors to fill the vacancy.

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed on 3 April 1996.

By order of the Board,



Antti Pankakoski
Director

Date: 12 MARCH 1998

Registered Office:
St. James's House,
23 King Street,
London SW1Y 6QY

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors' report to the shareholders of Cunard Steam-Ship Company Limited

We have audited the financial statements on pages 7 to 18, which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants
Registered Auditors
1 Surrey Street
London
WC2R 2PS

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Profit and loss account

for the 15 months ended 31 December 1996

	Note	Period ended 31 December 1996			Year ended 30 September 1995		
		Excluding exceptional items \$000	Exceptional items (note 4) \$000	Total \$000	Excluding exceptional items \$000	Exceptional items (note 4) \$000	Total \$000
Discontinued operations							
Turnover	2	14,237	-	14,237	32,128	-	32,128
Cost of sales		(7,042)	(6,509)	(13,551)	(16,268)	(61,293)	(77,561)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit/(loss)		7,195	(6,509)	686	15,860	(61,293)	(45,433)
Administrative expenses		-	-	-	(657)	-	(657)
Other operating income		-	-	-	790	-	790
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit/(loss)	2	7,195	(6,509)	686	15,993	(61,293)	(45,300)
Non operating items :							
Amounts written off investments		-	-	-	-	(254,658)	(254,658)
Profit on sale of fixed assets		-	5,935	5,935	-	10,209	10,209
Profit on sale of subsidiary		-	1,209	1,209	-	-	-
Release of provision		-	23,080	23,080	-	3,132	3,132
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before interest		7,195	23,715	30,910	15,993	(302,610)	(286,617)
		<hr/>	<hr/>		<hr/>	<hr/>	
Interest receivable and similar income	6			9,260			3,807
Interest payable and similar charges	7			(20,589)			(748)
				<hr/>			<hr/>
				-			
Profit/(loss) on ordinary activities before taxation	2-7			19,581			(283,558)
Tax on profit on ordinary activities	8			-			-
				<hr/>			<hr/>
				-			
Retained Profit/(loss) for the financial period	16			19,581			(283,558)
				<hr/>			<hr/>

A note of historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The accompanying notes form an integral part of this company profit and loss account.

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Balance sheet

at 31 December 1996

	Note	31 December 1996		30 September 1995	
		\$000	\$000	\$000	\$000
Fixed Assets					
Tangible assets	10		52,379		133,426
Investments	11		44,470		2,575
			<hr/>		<hr/>
			96,849		136,001
Current assets					
Debtors	12	254,702		90,439	
Assets held for resale		19,250		-	
		<hr/>		<hr/>	
		273,952		90,439	
Creditors: amounts falling due within one year	13	(268,660)		(271,538)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			5,292		(181,099)
			<hr/>		<hr/>
Total assets less current liabilities			102,141		(45,098)
Provisions for liabilities and charges	14		(50,404)		(216,436)
			<hr/>		<hr/>
Net assets/(liabilities)			51,737		(261,534)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15		343,056		44,316
Profit and loss account	16		(291,319)		(305,850)
			<hr/>		<hr/>
Equity Shareholders' funds			51,737		(261,534)
			<hr/>		<hr/>

The accompanying notes form an integral part of this company balance sheet.

These financial statements were approved by the board of directors on 12 March 1998 and were signed on its behalf by:



Antti Pankakoski
Chairman

The Cunard Steam-Ship Company Limited

(The Cunard Steam-Ship Company p.l.c.)

Statement of total recognised gains and losses

for the 15 months ended 31 December 1996

	Period ended 31 December 1996 \$000	Year ended 30 September 1995 \$000
Profit/(Loss) for the financial period	19,581	(283,558)
Unrealised (losses)/gains on foreign currency net investments	(5,050)	1,433
	<hr/>	<hr/>
Total losses recognised since last annual report	14,531	(282,125)
	<hr/>	<hr/>

Reconciliation of movements in shareholders' funds

for the 15 months ended 31 December 1996

	Period ended 31 December 1996 \$000	Year ended 30 September 1995 \$000
Profit/(Loss) for the financial period	19,581	(283,558)
Other recognised gains and losses relating to the period (net)	(5,050)	1,433
New share capital subscribed	298,740	-
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	313,271	(282,125)
Opening shareholders' funds	(261,534)	20,591
	<hr/>	<hr/>
Closing shareholders' funds	51,737	(261,534)
	<hr/>	<hr/>

The accompanying notes form an integral part of this statement of total recognised gains and losses and this reconciliation of movements in shareholders funds.

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below in relation to foreign currencies.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is dependent on the support of its ultimate parent company and these financial statements have been prepared on a going concern basis as the ultimate parent company has confirmed that sufficient funds will be made available to enable the company to continue its trading activities.

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Kværner Plc and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Fixed assets are shown at cost or valuation net of depreciation and provision for permanent diminution in value.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Ships	-	22 - 25 years
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Shares in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

Foreign currencies

As from 1st October 1996, the reporting currency of the company was changed from sterling to U.S. dollars in order to more accurately reflect its trading activities. Comparative amounts for trading results have been translated into U.S. dollars at the average rate for the year, whilst the balance sheet was converted at the rate in force at the year end.

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rates ruling at the year end except where rates of exchange are fixed under contractual arrangements. Differences arising from the translation of opening net assets of overseas branches and any related loans denominated in foreign currency are taken to reserves. Trading results of overseas branches are translated into U.S. dollars at average rates of exchange.

The Cunard Steam-Ship Company Limited

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Notes (continued)

1 Accounting policies (continued)

Leases

All leases are accounted for as 'operating leases' and the rent receivable is credited to the profit and loss account on a straight line basis over the life of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover derives from leasing or licensing of ships.

2 Analysis of turnover and operating (loss)/profit

	1996		1995	
	Turnover	Operating profit	Turnover	Operating loss
	\$000	\$000	\$000	\$000
<i>By activity</i>				
Ownership and leasing of assets	14,237	686	32,128	(45,300)

Following the period end, the trade of the company together with the assets were sold to another group company, Cunard Charter Hire Limited. Turnover and operating profit have therefore not been defined as Continuing Operations.

Turnover is derived exclusively within the United Kingdom.

Turnover includes income from group companies of \$14,237,000 (1995:\$19,599,000).

3 Profit on ordinary activities before taxation

	1996 \$000	1995 \$000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	6,996	68,885

Audit costs are borne by a subsidiary undertaking, Cunard Line Limited.

The Cunard Steam-Ship Company Limited

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Notes (continued)

4 Exceptional items

	1996 \$000	1995 \$000
(a) Cost of sales		
Permanent diminution in value of ships and relocation costs	(6,509)	(61,293)
(b) Non operating items		
Amounts written off investments	-	(254,658)
Profit on sale of fixed assets	5,935	10,209
Writeback of prior year investment disposal provision	-	3,132
Profit on sale of a subsidiary undertaking	1,209	-
Release of provisions	23,080	-
	30,224	(241,317)
Total exceptional items	23,715	(302,610)

5 Remuneration of directors

The directors did not receive any emoluments from the company or any group undertaking in respect of services performed on behalf of the company (1995\$nil). There were no staff other than the directors employed in the year.

6 Other interest receivable and similar income

	1996 \$000	1995 \$000
Other interest receivable and similar income	9,260	3,807

Of the above amount \$8,677,000 (1995:\$1,394,000) was receivable from group undertakings.

The Cunard Steam-Ship Company Limited

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Notes (continued)

7 Interest payable and similar charges

	1996 \$000	1995 \$000
On bank loans, overdrafts and other loans wholly repayable within five years	20,589	748

Of the above amount \$20,589,000 (1995:\$603,221) is payable to group undertakings.

8 Taxation

The potential amount of deferred taxation calculated on the liability method at 33% (1995:33%) is \$nil (1995:\$nil).

The tax charge for the year has been eliminated through the availability of tax losses to offset against taxable profits.

9 Leases.

Rentals received under operating leases are recognised on a straight line basis as received. During the year rental income of \$14,237,000 relating to operating leases was received (1995 : \$31,852,000).

The Cunard Steam-Ship Company Limited

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Notes (continued)

10 Tangible fixed assets

	Ships
	\$000
Cost	
At beginning of year	306,936
Additions	1,369
Disposals	(158,297)
Transfers to current assets	(52,621)
Exchange differences	(2)
	<hr/>
At end of year	97,385
	<hr/>
Depreciation and diminution in value	
At beginning of year	173,510
Charge for year	8,868
Disposals	(103,985)
Transfers to current assets	(33,371)
Exchange differences	(16)
	<hr/>
At end of year	45,006
	<hr/>
Net book value	
At 31 December 1996	52,379
	<hr/> <hr/>
At 30 September 1995	133,426
	<hr/> <hr/>

The company's assets are held for use in operating leases.

During the period, the Floating Production Platform Emerald Producer was sold for a consideration of \$33.250 Million.

On 22nd October 1996, a contract was signed for the sale of the M.V. Sagafjord for a consideration of \$19.25 Million. As a result this asset has been transferred to current assets, at its recoverable amount.

The Cunard Steam-Ship Company Limited

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Notes (continued)

11 Fixed asset investments

	Shares in group undertakings \$000
Cost	
At beginning of period	82,669
Additions	183,840
Disposals	(402)
Exchange Movements	895
	<hr/>
At end of period	267,002
	<hr/>
Provisions	
At beginning	(80,094)
Reclassification from provisions	(141,968)
Disposals	280
Exchange Movements	(750)
	<hr/>
At end of period	(222,532)
	<hr/>
Net book value	
At 31 December 1996	44,470
	<hr/>
At 30 September 1995	2,575
	<hr/>

In the opinion of the directors the aggregate value of investments is not less than that shown in the balance sheet.

The principal subsidiary undertakings which are wholly owned and are registered in England are as follows:

Subsidiary undertaking	Principal activity
Cunard Line Limited	Ownership and operation of passenger ships
Cunard Sea Goddess Limited	Charterer of passenger cruise liners
Cunard Cruise Ships Limited	Dormant
Squareswing Limited	Dormant
(formerly Stafford Hotel Limited)	

During the period the investment in Cunard Travel Limited, (formerly Cunard Crusader World Travel Limited) was sold to another Group undertaking.

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Notes (continued)

11 Fixed asset investments (continued)

The amount shown as additions relate to the increase in the issue share capital of Cunard Line Limited. Following this increase in share holders funds the provision held against the investment in this company was reclassified from provisions to fixed asset investments.

12 Debtors

	1996 Due within one year \$000	1995 Due within one year \$000
Trade debtors		2
Amounts owed by group undertakings	254,702	88,997
Prepayments and accrued income	-	1,440
	<hr/>	<hr/>
	254,702	90,439
	<hr/>	<hr/>

The amounts owed by group undertakings comprise

Other group undertakings	129,241	86,681
Subsidiary undertakings	125,461	2,316
	<hr/>	<hr/>
	254,702	88,997
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year

	1996 \$000	1995 \$000
Amounts owed to group undertakings	268,660	271,355
Accruals and deferred income	-	183
	<hr/>	<hr/>
	268,660	271,538
	<hr/>	<hr/>
<i>The amounts owed to group undertakings comprise</i>		
Other group undertakings	261,664	266,264
Subsidiary undertakings	6,996	5,091
	<hr/>	<hr/>
	268,660	271,355
	<hr/>	<hr/>

The Cunard Steam-Ship Company Limited

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Notes (continued)

14 Provisions for liabilities and charges

	Other provisions \$000
At beginning of period	216,436
Utilised during the period	(938)
Reclassifications to fixed asset investments	(141,967)
Release for the period in the profit and loss account	(23,080)
Exchange movements	(47)
	<hr/>
At end of period	50,404
	<hr/>

Provisions at 31 December 1996 primarily relate to the diminution in the value of investments in subsidiaries.

15 Called up share capital

	1996 \$000	1995 \$000
<i>Authorised, allotted, called up and fully paid</i>		
223,000,000 ordinary shares of £1 each.	343,056	44,316
(1995: 28,000,000 ordinary shares of £1 each)	<hr/>	<hr/>

On 9th February 1996 195,000,000 £1 ordinary shares were issued for a cash consideration of £195,000,000 to provide the company with additional working capital.

The issued share capital at 1st October 1995 has been converted at the relevant exchange rate at that date. Subsequent increases in share capital are converted at the rate ruling at the date of issue.

16 Reserves

	Profit and loss account \$000
At beginning of period	(305,850)
Retained profit for the period	19,581
Exchange movement	(5,050)
	<hr/>
At end of period	(291,319)
	<hr/>

The Cunard Steam-Ship Company Limited

(formerly The Cunard Steam-Ship Company p.l.c.)

Notes (continued)

17 Contingent liabilities

Guarantees given by the company in respect of obligations of other group companies amounted to \$Nil (1995:\$ 1,100,000).

The company's ships are insured through a Protection and Indemnity Association and the company has a contingent liability, which has in part been mitigated by additional insurance cover, in the event that the claims by all members of the Association exceed available funds.

18 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1996 \$000	1995 \$000
Contracted	142	1,239
Authorised but not contracted	3,357	1,855
	<hr/>	<hr/>

19 Ultimate parent company and parent undertaking of largest group of which the company is a member

During the period, Kværner PLC formerly Trafalgar House Public Limited Company, which is registered in England and Wales of which the Company was a wholly owned subsidiary, was acquired by Kværner ASA a company registered in Norway.

Kværner PLC heads the smallest group in which results of the company are consolidated.

The ultimate parent company is Kværner ASA which heads the largest group in which the results of the company are consolidated.

Copies of the respective financial statements can be obtained from Kværner PLC at St James's House, 23 King Street, London SW1Y 6QY.

In accordance with the exemption in Financial Reporting Standard 8, transactions with group companies have not been disclosed since the company is a wholly owned subsidiary undertaking of another undertaking whose consolidated accounts include the results of the company and are available to the public.

20 Change in Auditors

Prior year figures were audited by a firm of Chartered Accountants other than Arthur Andersen and are presented for comparative purposes only.