

29-04-93

COMPANY NO: 445195

CUNARD LINE LIMITED

REPORT AND ACCOUNTS

30 SEPTEMBER 1992

COMPANIES HOUSE

24 APR 1993

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30th September 1992.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is the ownership and operation of passenger ships.

The economic climate in the Western World continued to impact adversely on demand for the Company's products both in the Cruising sector and Trans-atlantic with consequential pressure on rates. Nevertheless potential opportunities to increase the Company's capacity in both the luxury and premium market sectors have been evaluated. As a result the Company has been appointed under a long term agreement the sole and exclusive marketing manager of three Crown Cruise premium class vessels owned by Effjohn International BV.

During the period, the Company sold at market value to its parent company, The Cunard Steam-Ship Company plc, the cruise vessel Vistafjord and contemporaneously took the vessel on demise charter.

The policy of seeking to create new markets and introduce on-board innovations continued to be actively pursued. Product and market research and development is carried out within the framework of the main activities of the Company.

RESULTS

The results for the year are set out in the Profit and Loss Account on page 5.

DIVIDENDS AND TRANSFERS TO RESERVES

An interim dividend of £4,291,467 was declared on the issued Ordinary share capital of the Company in respect of the year ended 30th September 1992. Payment was made on 13th January 1993 to the holders of the Ordinary shares registered in the books of the Company on that date. It is not proposed to declare a final dividend. After dividends, retained profits of £81,000 have been transferred to reserves.

TANGIBLE FIXED ASSETS

Details of the movement in tangible fixed assets during the year are given in Note 13 to the Accounts.

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DIRECTORS' REPORT (Cont'd)

DIRECTORS

The following persons were Directors of the Company throughout the year:-

Sir Eric Parker
Mr D St J McDermott
Mr J R W Ansdell
Mr B N Barlow
Mr J M Hanbidge
Mr J P Henry
Mr G D Law
Mr C D Parr
Mr R A Santangelo
Mr J P Smyth
Mr J R Sullivan

Mr J M Hanbidge and Mr J R Sullivan resigned as Directors on 31st December 1992. Mr R Conolly was appointed a Director on 23rd November 1992.

The interests of those Directors who at 30th September 1992 were not also Directors of the ultimate parent company, Trafalgar House Public Limited Company, are shown below. No Director had any interest in the shares of the Company.

<u>Trafalgar House Public Limited Company Ordinary 20p Shares</u>				
	<u>30th September 1992</u>		<u>30th September 1991</u> (or subsequent date of appointment)	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
Mr B N Barlow	904	24,775	887	21,114
Mr J M Hanbidge	-	85,098	-	85,098
Mr J P Henry	-	-	-	-
Mr G D Law	7,471	21,778	9,089	21,778
Mr C D Parr	25,000	104,512	-	104,512
Mr R A Santangelo	-	75,721	-	75,721
Mr J P Smyth	25,000	131,612	-	131,612
Mr J R Sullivan	-	84,747	-	84,747

<u>Trafalgar House Public Limited Company 'A' Ordinary 20p Shares</u>		
	<u>30th September 1992</u>	<u>30th September 1991</u>
Mr B N Barlow	13	12
Mr G D Law	1,701	1,507
Mr J M Hanbidge	-	-
Mr J P Henry	-	-
Mr C D Parr	-	-
Mr R A Santangelo	-	-
Mr J P Smyth	-	-
Mr J R Sullivan	-	-

The above figures include interests under the terms of the Trafalgar House Public Limited Company's Profit Sharing and Share Option Schemes.

DIRECTORS' REPORT (Cont'd)

EMPLOYEE INVOLVEMENT

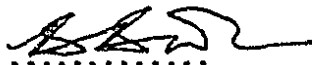
During the year the Group maintained the practice of keeping employees informed about current activities and progress by various methods including in-house publications. Participation and involvement are encouraged including participation in the Trafalgar House share option and profit sharing schemes for eligible employees and through formal trade union channels.

Special attention is given to health and safety and to the employment of disabled persons.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint Auditors annually was passed at the Annual General Meeting of the Company held on 23rd June 1992.

Approved by the Board of Directors
and signed on its behalf.



B N BARLOW

Secretary

- 5 APR 1993

AUDITORS' REPORT TO THE MEMBERS OF
CUNARD LINE LIMITED

We have audited the accounts and notes on pages 5 to 15 in accordance with Auditing Standards.

As stated in Note 11 no provision has been made for deferred taxation as no assessment of the potential tax liabilities which will crystallise has been performed for the company. This is not in accordance with Statement of Standard Accounting Practice No.15 'Accounting for Deferred Tax'. In the absence of such an assessment, it has not been practical for us to quantify the effects, if any, of this departure on the financial statements.

Except for the absence of a provision for deferred taxation in our opinion the accounts and notes give a true and fair view of the state of the Company's affairs at 30 September 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Chartered Accountants and
Registered Auditor
Hill House
1 Little New Street
London EC4A 3TR

5 April 1993

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PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30 SEPTEMBER 1992

	Notes	1992 £000's	1991 £000's
TURNOVER	3	261,409	246,606
COST OF SALES		(230,509)	(212,669)
GROSS PROFIT		30,900	33,937
Administrative expenses		(22,514)	(22,841)
Other operating income	4	2,794	1,574
OPERATING PROFIT	5-7	11,180	12,670
Other Income	8	14,972	1,991
Interest receivable and similar income	9	2,288	5,105
Interest payable and similar charges	10	(12,645)	(24,779)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		15,195	(5,013)
Tax on (profit)/loss on ordinary activities	11	(10,823)	116
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		4,372	(4,897)
Extraordinary items	12	-	(1,230)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		4,372	(6,127)
Dividends proposed		(4,291)	(10,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		81	(16,127)
Retained profit brought forward		10,413	13,785
Exchange differences	23	(678)	12,755
RETAINED PROFIT CARRIED FORWARD		9,816	10,413

CUNARD LINE LIMITEDBALANCE SHEET - 30 SEPTEMBER 1992

	Notes	1992 £000's	1991 £000's
FIXED ASSETS			
Tangible assets	13	129,721	165,455
CURRENT ASSETS			
Stocks	14	5,803	5,821
Debtors	15	48,959	51,141
Cash at bank and in hand		21,057	111,970
		<u>75,819</u>	<u>168,932</u>
CREDITORS			
Amounts falling due within one year	16	(175,979)	(293,886)
NET CURRENT LIABILITIES			
		<u>(100,154)</u>	<u>(124,954)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>29,567</u>	<u>40,501</u>
CREDITORS			
Amounts falling due after more than one year	17	18,918	29,216
PROVISIONS FOR LIABILITIES AND CHARGES			
	18	733	772
CAPITAL AND RESERVES			
Called up share capital	19	100	100
Profit and loss account		9,816	10,413
		<u>29,567</u>	<u>40,501</u>

Approved by the Board of Directors on 5 April 1993
Signed on behalf of the Board of Directors

 } D St J McDermott
 Directors
 } B N Barlow



CUNARD LINE LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30 SEPTEMBER 19921. ULTIMATE PARENT COMPANY

The ultimate parent Company is Trafalgar House Public Limited Company, which is registered in England and Wales. Copies of the Report and Accounts of Trafalgar House Public Limited Company are available from The Company Secretary's Office at 1 Berkeley Street, London W1A 1BY.

2. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and have been prepared in accordance with applicable accounting standards except for the matters described in Note 11. The accounting policies adopted are disclosed in the appropriate notes below. Comparative figures have been adjusted where changes have been made in presentation.

3. TURNOVER

Turnover consists of gross revenue receivable on account of passage money and associated travel elements, freight, ship-board sales and other miscellaneous earnings, including amounts received from insurers in respect of cancelled voyages. Voyage results are computed to the end of the voyages finishing closest to 30th September 1992.

An analysis of turnover by geographical market is given below :

	1992 £000's	1991 £000's
Europe	31,980	32,148
North America	169,614	170,542
South America	1,937	1,960
Asia	7,921	7,972
Africa	638	653
Australasia	9,491	9,540
UK	39,828	23,791
	<hr/> 261,409	<hr/> 246,606

4. OTHER OPERATING INCOME

Other operating income relates to foreign exchange differences arising directly from the trading of the company.

5. OPERATING PROFIT

This is stated after charging :

	1992 £000's	1991 £000's
Depreciation	10,123	10,848
Auditors' remuneration	129	173
Hire of ships and equipment		
—Ships	14,182	10,612
—Plant & Machinery	967	757
—Other operating leases	1,927	1,673
Provisions for liabilities and charges	874	1,352

The company's auditors also received £3,750 (1991 £4,885) in respect of non-audit services.

CUNARD LINE LIMITED

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NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 1992

6. EMPLOYEES

	1992 £000's	1991 £000's
Employee costs during the year :		
Wages and salaries	20,703	25,216
Social Security costs	1,319	1,393
Other pension costs	827	932
	<hr/> 22,849	<hr/> 27,541
The average number of employees during the year was :		
United Kingdom	Number 166	Number 177
Overseas	377	393
Officers and crew	393	454
	<hr/> 936	<hr/> 1,024

7. DIRECTORS' EMOLUMENTS

Employee costs include the following remuneration in respect of directors :

	£000's	£000's
As directors	-	7
As executives	1,170	1,112
	<hr/> 1,170	<hr/> 1,119

The analysis of directors' emoluments, as set out below, excludes payments to directors who discharge their duties wholly or mainly outside the United Kingdom.

Amounts paid to directors (excluding pension contributions)

Chairman	NIL	NIL
Highest paid director	187	189
Particulars of other directors' emoluments:	Number	Number
Up to £5,000	3	4
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-

8. OTHER INCOME

Other income relates to certain foreign exchange gains, insurance and other receipts and profit on sale of fixed assets not directly related to the trading of the company. The figure stated includes the following items :-

	1992 £000's	1991 £000's
Profit on sale of ship at market value to immediate parent company	11,949	-
Out of court settlement of warranty claim with supplier (including exchange differences of £465,000)	2,423	-

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NOTES TO THE ACCOUNTSYEAR ENDED 30 SEPTEMBER 19929. INTEREST RECEIVABLE AND SIMILAR INCOME

	1992 £000's	1991 £000's
Bank interest	2,288	5,105

10. INTEREST PAYABLE AND SIMILAR CHARGES

	1992 £000's	1991 £000's
Bank loans and overdrafts repayable in less than five years	3,769	20,358
Other loans not wholly repayable within five years	-	43
Payable to group companies in less than five years	8,876	4,378
	12,645	24,779

11. TAXATION

	1992 £000's	1991 £000's
Corporation tax		
- Prior year provision not required	(2,450)	(45)
Group relief payment	14,540	(72)
Group relief (receipt) - prior year	(1,271)	-
Overseas tax	4	1
	10,823	(116)

The current year charge does not bear a normal relationship to the profit for the year due to the incidence of timing differences not accounted for in deferred taxation.

The potential amount of deferred taxation, calculated on the liability method at 33% (1991: 33%) is:

	1992 £000's	1991 £000's
Accelerated depreciation	31,162	42,585
Other timing differences	651	(832)
	31,813	41,753

To the extent required by SSAP 15, deferred taxation is provided in the accounts of the ultimate holding company.

Under the above policy no provision for deferred taxation is required.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 1992

12. EXTRAORDINARY ITEMS

1992
£000's

1991
£000's

These consist of the following item :

Costs payable in relation to
shipyard dispute settlement

— 1,230

13. TANGIBLE FIXED ASSETS

Details of the movements of tangible fixed assets are as follows :

	Land and Buildings	Ships	Plant & Machinery	Fixtures & Fittings	Total
	£000's	£000's	£000's	£000's	£000's
GROSS BOOK VALUE					
At 1 October 1991	6,758	212,852	206	12,114	231,930
Additions	85	3,072	—	1,743	4,900
Exchange differences	(459)	(1,830)	(22)	(1,538)	(3,849)
Disposals and adjustments	(63)	(44,958)	(22)	(16)	(45,059)
At 30 September 1992	6,321	169,136	162	12,303	187,922
DEPRECIATION					
At 1 October 1991	1,535	58,002	194	6,744	66,475
Charged in the year	493	8,131	8	1,491	10,123
Exchange differences	(140)	(1,154)	(22)	(964)	(2,280)
Disposals	—	(16,090)	(22)	(5)	(16,117)
At 30 September 1992	1,888	48,889	158	7,266	58,201
NET BOOK VALUE					
At 30 September 1992	4,433	120,247	4	5,037	129,721
At 30 September 1991	5,223	154,850	12	5,370	165,455

Included in gross book value are fully depreciated assets amounting to £4,611,000.

NOTES TO THE ACCOUNTSYEAR ENDED 30 SEPTEMBER 199213. TANGIBLE FIXED ASSETS (Continued)

The land and buildings are short-term leasehold properties.

Depreciation of all assets is calculated to write off the cost, less estimated residual value, over their expected useful lives, as follows :

Queen Elizabeth 2	— straight line basis over 22½ years from 1 October 1984
Vistafjord (now disposed of)	— straight line basis over 16 years from 1 October 1991 (previously 15 years from December 1983) following an independent evaluation of the estimated useful life of the ship
Plant, machinery, fixtures & fittings	— straight line basis varying between 3 and 10 years
Short-term leaseholds	— straight line basis over the lives of the leases

14. STOCKS

Stocks are valued at the lower of cost and net realisable value.

	1992 £000's	1991 £000's
Goods for resale	1,330	1,466
Consumable stores	4,473	4,355
	<hr/> 5,803	<hr/> 5,821

15. DEBTORS

	1992 £000's	1991 £000's
Trade debtors	2,171	5,636
Amounts owed by group undertakings—immediate parent company and fellow subsidiary companies	11,110	9,870
Other debtors	12,019	14,577
Prepayments and accrued income	23,659	21,058
	<hr/> 48,959	<hr/> 51,141

Prepayments of £1,776,000 (1991 £565,000) are due after more than 1 year.

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NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 1992

16. CREDITORS: Amounts falling due
within one year

	1992 £000's	1991 £000's
Bank overdraft	15,857	15,554
Bank loans	11,384	16,208
Trade creditors	2,903	7,259
Amounts owed to group undertakings—immediate parent company and fellow subsidiary companies	15,072	70,812
Group company loans — fellow subsidiary company	68,700	97,094
Other creditors including taxation and social security		
— PAYE and social security	415	662
— Corporation tax	1,907	4,357
Accruals and deferred income		
— Passage money in advance	43,221	50,206
— Other accruals and deferred income	12,223	21,734
Dividends proposed	4,291	10,000
	<hr/> 175,973 <hr/>	<hr/> 293,886 <hr/>

Group company loans are repayable by 1993 and interest is payable at rates between 3.4375% and 10% per annum.

CUNARD LINE LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30 SEPTEMBER 199217. CREDITORS: Amounts falling due
after more than one year

	1992 £000's	1991 £000's
Bank loans	8,918	19,216
Group company loans — fellow subsidiary company	10,000	10,000
	<u>18,918</u>	<u>29,216</u>

Loans

Unsecured and repayable by instalments between 1992 and 1997 at the following rates of interest :

	1992 £000's	1991 £000's
7% — 7½%	—	271
8% — 8½%	3,627	4,374
8½% — 9%	1,420	5,803
9% — 9½%	7,150	10,292
10½% — 11%	10,000	10,000
11% — 11½%	5,353	6,882
12% — 12½%	2,752	7,802
	<u>30,302</u>	<u>45,424</u>

Less: Amounts repayable within
twelve months

(11,384)	(16,208)
<u>18,918</u>	<u>29,216</u>

Of the above amounts, £NIL (1991 £132,277) is repayable more than five years after the balance sheet date.

Certain bank loans and overdrafts (£3,972,195) denominated in foreign currencies are treated as a hedge against income streams arising in the same currency in periods from 1992 to 1994. Unrealised exchange losses amounting to £450,584 (1991 £273,087 gain) are included in debtors (1991 creditors) in respect of these loans.

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CUNARD LINE LIMITED

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NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 1992

18. PROVISIONS FOR LIABILITIES AND CHARGES

These consist of provision for company's own franchise items which are to cover the amount of policy excess in relation to each and every hull and machinery damage insurance claim.

	£000's
At 30 September 1991	772
Charge to profit and loss account	874
	<hr/> 1,646
Expenditure	(913)
At 30 September 1992	<hr/> 733

19. CALLED UP SHARE CAPITAL

	1992 £000's	1991 £000's
Authorised, allotted and fully paid 100,000 ordinary shares of one pound	<hr/> 100	<hr/> 100

20. CAPITAL AND OTHER COMMITMENTS

a) Capital commitments

As at 30 September 1992, the company had the following capital commitments:

	1992 £000's	1991 £000's
Capital expenditure contracted	293	55
Authorised by the directors but not contracted	4,726	1,459
	<hr/> 5,019	<hr/> 1,514

b) Lease commitments

The company has future commitments during the next year in respect of operating leases which expire :

	Land & Buildings £000's	Ships £000's	Other £000's	Total £000's
Within 1 year	--	--	200	200
Between 2 and 5 years	--	--	800	800
After 5 years	1,851	16,115	--	17,766
	<hr/> 1,651	<hr/> 16,115	<hr/> 1,000	<hr/> 18,766

CUNARD LINE LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30 SEPTEMBER 199221. PENSION ARRANGEMENTS

The Company's employees are members of defined benefit and defined contribution schemes operated by Trafalgar House, under which contributions are paid by the Company and by employees.

The assets of the schemes are held in trustee administered funds, separate from the finances of Trafalgar House.

The Company's contributions are based on the expected cost of pensions across Trafalgar House as a whole, and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees within Trafalgar House schemes.

Details of the actuarial valuation of the Trafalgar House schemes are contained in the report and accounts of Trafalgar House Public Limited Company.

Certain officers and crew are members of the defined benefit Merchant Navy Officers and Merchant Navy Ratings Pension Funds respectively.

Due to the industry wide nature of the schemes it is appropriate for the company's contributions, determined by the schemes' trustees, to be charged to the profit and loss account.

Details of the actuarial valuation of the Merchant Navy schemes are obtainable from : Merchant Navy Pensions Administration Ltd., Ashcombe House, The Crescent, Leatherhead, Surrey, KT22 8LQ.

22. CONTINGENT LIABILITIES

The bank overdraft is the company's share of a group memorandum bank account. The company has given a joint and several guarantee in support of the borrowing of other group companies party to the memorandum bank account.

The company's ships are registered with a protection and indemnity association (which is operated as a company limited by guarantee), of which the company is a member.

Securities have been given to a maximum of £10 million in respect of a Trafalgar House bonding facility.

Bonds have been issued to a total of £31,000 in respect of the company's offices at San Juan.

23. FOREIGN CURRENCIES

Assets, liabilities and trading results of foreign branches are translated into sterling at the rates of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets of foreign branches and any related loans are taken to reserves.

Other exchange differences are taken to the profit and loss account when they arise, except for differences in respect of hedging transactions which are recorded when the transactions are completed.