

Trafalgar House Line Limited

Directors' report and financial
statements

Registered number 00445195

31 December 2005



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Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2005

Activities and Prospects

The principal activity of the Company was the operation of passenger ships, which business was sold in 1998

The Company has not operated or controlled any business activities in the year

During the year the Directors continued to seek legally and financially viable and adequate solutions to the various legacy issues facing the Company. These legacy issues derive from the Company's former shipping operations

Financial statements, result and dividend

The financial statements of the Company appear on pages 5 to 13, inclusive

The loss for the year after taxation was £1,364,000 (2004 - loss £6,000). The Company has a deficit on its profit and loss account. Consequently, no dividend can be paid

Directors

The current Directors are listed below

Dag Fasmer Wittusen
Nigel Williams

Rufus Laycock resigned as a director on 23 June 2006. Dag Fasmer Wittusen was appointed a Director on 23 June 2006

Directors' Interests

No Director had an interest in the shares of the Company or any other company within the same group either during or at the end of the year

Annual General Meeting

The Company has dispensed with the laying of accounts and reports before the Company in general meetings and the holding of annual general meetings

Auditor

KPMG Audit Plc has signified its willingness to continue on office

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG Audit Plc is, therefore, deemed re-appointed for the succeeding year

Post Balance Sheet Events

The Company, its parent and certain other fellow subsidiary undertakings within the TH Global group of companies agreed to arbitrate certain matters outstanding between themselves and Liverpool & London Steamship Protection & Indemnity Association Limited

The Company and its parent undertaking, Trafalgar House Steam-Ship Company Limited, made a proposal to the Trustee of the Merchant Navy Officers' Pension Fund to achieve a negotiated settlement of amounts for which they may be liable in respect of deficit payments. Discussions are continuing with the Trustee

By order of the Board,

Rufus Laycock
Company Secretary

68 Hammersmith Road
London
W14 8YW
2 May 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in the Directors' Report and Note 1 to the Financial Statements, the Company ceased trading in May 1998 when the sale of its passenger shipping business was effective. Accordingly, the Directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

KPMG Audit Plc

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

Independent auditors' report to the members of Trafalgar House Line Limited

We have audited the financial statements of Trafalgar House Line Limited for the year ended 31st December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the reconciliation of movements in shareholders funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Trafalgar House Line Limited

(continued)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

3 May 2007

Profit & Loss Account
for the year ended 31 December 2005

| | | 31 December 2005 £000 | 31 December 2004 £000 |
|--|------|-----------------------------|-----------------------------|
| | Note | | |
| Operating expenditure | 3 | (1,607) | - |
| Interest receivable and similar income | 4 | 243 | 116 |
| Interest payable and similar charges | | - | (122) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | | (1,364) | (6) |
| Tax on loss on ordinary activities | 7 | - | - |
| | | <hr/> | <hr/> |
| Loss for the financial year | 13 | (1,364) | (6) |

There are no recognised gains or losses in either year, other than the result for each financial year. Accordingly, a statement of total recognised gains and losses has not been prepared.

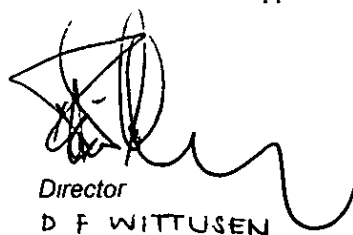
The accompanying notes on pages 8 to 13 are an integral part of this profit and loss account.

Balance Sheet
as at 31 December 2005

| | Note | 31 December 2005 £000 | 31 December 2004 £000 |
|---|------|-----------------------------|-----------------------------|
| Current assets | | | |
| Debtors | 8 | 727 | 746 |
| Cash at bank | | <u>5,399</u> | <u>5,846</u> |
| | | 6,126 | 6,592 |
| Creditors' amounts falling due within one year | 9 | <u>(148)</u> | <u>(34)</u> |
| Net current assets | | <u>5,978</u> | <u>6,558</u> |
| Total assets less current liabilities | | 5,978 | 6,558 |
| Provisions for liabilities and charges | 10 | <u>(2,026)</u> | <u>(1,242)</u> |
| Net assets | | <u>3,952</u> | <u>5,316</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 212,101 | 212,101 |
| Profit and loss account | 13 | <u>(208,149)</u> | <u>(206,785)</u> |
| Equity shareholders' funds | | <u>3,952</u> | <u>5,316</u> |

The accompanying notes on pages 8 to 13 form an integral part of this balance sheet

These accounts were approved by the Board of Directors on 2 May 2007 and signed on its behalf by


Director
D F WITTUSEN

**Reconciliation of movements in shareholders' funds
 For the year ended 31 December 2005**

| | Year to 31 December 2005 £000 | Year to 31 December 2004 £000 |
|-----------------------------|--|--|
| Loss for the financial year | (1,364) | (6) |
| Opening shareholders' funds | 5,316 | 5,322 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 3,952 | 5,316 |
| | <hr/> | <hr/> |

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 financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The adoption of FRS 21 and FRS 25 has not had a material effect on the current year or prior year financial statements

Accounting convention

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

Basis of preparation

As the Company has ceased to trade the Directors are required by FRS 18 *Accounting Policies* to prepare the financial statements on a basis other than the going concern basis. The effects of adopting this alternative basis have been to record assets and related liabilities at their recoverable value. However, given the position of the Company and past accounting policies, this has had no effect on the amount recognised in the financial statements nor has it impacted on the presentation of the balance sheet

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

Related parties and cash flow statement

The company is exempt under the terms of FRS 8 from the requirement to disclose transactions with entities which are part of the group on the grounds that a parent undertaking includes the company in its own published consolidated financial statements. Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Taxation

The charge for taxation is based on the gain for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2. Staff numbers and costs

The Company had no employees in the current or prior year. Neither of the Directors received any emoluments from the Company (2004 £nil)

Notes to the accounts (continued)

| 3. Operating (loss) / profit is after (charging)/crediting the following | Year to 31 December 2005 £000 | Year to 31 December 2004 £000 |
|---|--|--|
| Legacy pensions liability, legal disputes and industrial injury claims | (1,484) | - |
| Provision against amounts owed by group undertakings | <u>(123)</u> | <u>-</u> |
| | <u>(1,607)</u> | <u>-</u> |
| 4 Other interest receivable and similar income | | |
| Bank | 232 | 116 |
| Foreign exchange gain | 11 | - |
| | <u>243</u> | <u>116</u> |
| 5 Other interest payable and similar charges | | |
| Foreign exchange loss | - | (122) |
| | <u>-</u> | <u>(122)</u> |
| 6 Profit on ordinary activities before taxation | | |
| Auditors' remuneration was borne by a fellow group company | | |

Notes to the accounts (continued)

7 Taxation

Factors affecting the current tax charge

The tax assessed for the year is higher (2004 higher) than the standard rate of corporation tax in the UK. The differences are as follows

| | Year to 31 December 2005 £000 | Year to 31 December 2004 £000 |
|--|--|--|
| Loss on ordinary activities before taxation | <u>(1,364)</u> | <u>(6)</u> |
| Current tax at 30% (2004 30%) | (409) | (2) |
| Effects of | | |
| Group relief for which no payment is received | 59 | 37 |
| Movement on provisions | 313 | (35) |
| Expenditure not deductible for tax | <u>37</u> | <u>-</u> |
| Total current tax charge and tax on profit / (loss) on ordinary activities | <u>-</u> | <u>-</u> |

Factors affecting future charges

The TH Global plc (formerly Kvaerner PLC) UK tax group has brought forward tax losses estimated at £215 million and surplus ACT of approximately £192 million

No deferred tax assets are recognised at Balance Sheet date as the company does not expect to generate with any certainty capital or trading profits to utilise these assets. At 31 December 2005 the Company had unrecognised tax assets of approximately £600 000 relating to provisions, £800 000 relating to advanced corporation tax and £1,500 00 relating to capital losses

8 Debtors

Amounts falling due within one year

| | | |
|------------------------------------|------------|------------|
| Other debtors | 721 | 728 |
| Amounts owed by group undertakings | 6 | 18 |
| | <u>727</u> | <u>746</u> |

9 Creditors' amounts falling due within one year

| | | |
|------------------------------------|------------|-----------|
| Amounts owed to group undertakings | 148 | 34 |
| | <u>148</u> | <u>34</u> |

Notes to the accounts (continued)

| | |
|---|--------------|
| 10. Provisions for liabilities and charges | £000 |
| At 1 January 2005 | 1,242 |
| Additions during the year | 1,484 |
| Released / Utilised during the year | (700) |
| At 31 December 2005 | <u>2,026</u> |

The provision represents the estimated costs of resolving legacy issues relating to the former passenger shipping operations of the Company, its parent company and fellow subsidiary undertakings

Industrial injuries-related claims

The Company was an employer and operator of passenger ships for many years and has retained responsibility in the majority of cases for industrial injuries-related claims resulting from those activities. Claims do not arise until many years after the relevant employment ceased. The Company's policy with regard to the handling of these claims is, where legal liability rests with the Company, to settle them as expeditiously as possible.

As noted elsewhere in these accounts, subsequent to the year-end, the Company, its parent and certain other fellow subsidiary undertakings within the TH Global group of companies agreed to arbitrate certain matters outstanding between themselves and the relevant insurer for industrial injuries-related claims, Liverpool & London Steamship Protection & Indemnity Association Limited (L&L). Based on legal advice received in relation to the issues in dispute between the Company, its parent and fellow subsidiary undertakings and L&L, the Directors consider it appropriate to continue to adopt the same approach to providing for industrial injuries-related claims.

Merchant Navy Officers' Pension Fund ("MNOFF")

The MNOFF Scheme is a shipping industry wide defined benefit multi-employer scheme in which officers employed by the Company and its parent undertaking, Trafalgar House Steam-Ship Company Limited, participated. Following a court decision in 2005, the Trustee of the MNOFF has advised the Company and Trafalgar House Steam-Ship Company Limited of their combined share of the net deficit of the Scheme and has issued an invoice in the aggregate amount of £2,179,975 due from the Company and Trafalgar House Steam-Ship Company Limited payable by instalment commencing on 30 September 2005 and annually thereafter on 31 March until 31 March 2014. The Company and Trafalgar House Steam-Ship Company Limited remain participating employers under the trust deeds and rules governing the MNOFF. At the date of approval of the last audited financial statements the apportionment of the deficit between the Company and Trafalgar House Steam-Ship Company Limited was unknown. In the absence of the apportionment information the deficit liability was recorded in Trafalgar House Steam-Ship Company Limited. Following the advice from the Trustee as to the proportion of the deficit attributable to the Company and to Trafalgar House Steam-Ship Company Limited each company has established a provision equal to the deficit contribution required by the Trustee. The Trustee has advised the Company and Trafalgar House Steam-Ship Company Limited that the proportion of the deficit attributable to the Company and to Trafalgar House Steam-Ship Company Limited may change following the finalisation of the 2006 and future actuarial valuations of the MNOFF Scheme and/or the reallocation of shortfalls in deficit contributions where other employers have not made their deficit payments. The Company and Trafalgar House Steam-Ship Company Limited have received a preliminary indication from the Trustee of additional deficit contributions in respect of the 2003 actuarial valuation and the 2006 actuarial valuation. The Company and Trafalgar House Steam-Ship Company Limited have made a proposal to the Trustee to achieve a negotiated settlement of amounts for which they may be liable in respect of deficit payments. The Trustee has the power to negotiate settlements and release participating employers from their deficit liabilities. Discussions are continuing with the Trustee.

Notes to the accounts (continued)

11. Bank Accounts

Of the total cash and bank balance on the balance sheet, £5,399,000 are deposits held in bank sub-accounts that are part of a group pooling system. Other TH Global group companies may have withdrawn amounts deposited on such sub-accounts, such that the net balance on the accounts may be less than the reported balance. The bank has at any time a right of set-off in respect of any debit balance on any sub-account, towards satisfaction of any credit balance on other sub-accounts, in which case any debit balance represents a receivable from the TH Global group and any credit balance represent borrowings.

| | Number of shares | 31 December 2005 £000 | Number of shares | 31 December 2004 £000 |
|------------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
| 12. Share capital | | | | |
| Authorised | | | | |
| Ordinary shares of £1 each | 212,101,408 | <u>212,101</u> | 212,101,408 | <u>212,101</u> |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of £1 each | 212,101,408 | <u>212,101</u> | 212,101,408 | <u>212,101</u> |

13 Profit and Loss account

**Profit and
loss account
£000**

| | |
|----------------------------|------------------|
| As at 1 January 2005 | (206,785) |
| Retained loss for the year | (1,364) |
| As at 31 December 2005 | <u>(208,149)</u> |

14. Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company's immediate parent company is Trafalgar House Steam-Ship Company Limited

The largest group in which the results of the company are consolidated is that headed by Medaura BV, a private company incorporated in The Netherlands. The consolidated financial statements of Medaura BV are available to the public and may be obtained from the Chamber of Commerce, Kamer van Koophandel, De Ruterkaade 5, 1013 AA Amsterdam, The Netherlands or from the Company Secretary, TH Global plc at 68 Hammersmith Road, London W14 8YW.

The smallest group in which they are consolidated is that headed by TH Global plc, incorporated in England and Wales. The consolidated financial statements of TH Global plc are available to the public and may be obtained from Companies House and/or TH Global plc at 68 Hammersmith Road, London W14 8YW.

The ultimate controlling party of the Company is The Glacier Trust, established under the laws of Guernsey.

Notes to the accounts (continued)

15. Post Balance Sheet Events

The Company, its parent and certain other fellow subsidiary undertakings within the TH Global group of companies agreed to arbitrate certain matters outstanding between themselves and Liverpool & London Steamship Protection & Indemnity Association Limited

The Company and its parent undertaking, Trafalgar House Steam-Ship Company Limited, made a proposal to the Trustee of the Merchant Navy Officers' Pension Fund to achieve a negotiated settlement of amounts for which they may be liable in respect of deficit payments. Discussions are continuing with the Trustee