

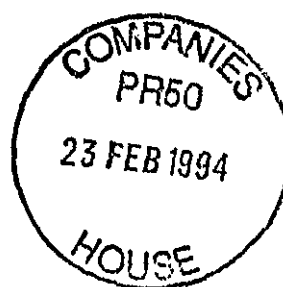
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COMPANY NUMBER : 445195

CUNARD LINE LIMITED

REPORTS AND ACCOUNTS

30 SEPTEMBER 1993



DIRECTORS' REPORT

The directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30th September 1993.

PRINCIPAL ACTIVITIES

The Company's principal activities are the ownership and operation of passenger ships, which are continuing.

BUSINESS REVIEW

Recovery from recession in the Company's major geographical markets has been slow. The directors consider the Company to be well placed to benefit from an economic upturn across all market segments, in particular the premium class as the perceived benefits from the exclusive marketing of Crown Cruise vessels within the Cunard Crown concept emerge.

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

The Board considers that there is scope for further development of the Company's activities.

RESULTS

The results for the year are set out in the Profit and Loss Account on page 6. Retained losses of £14,301,000 have been transferred from reserves.

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 year ended 30th September 1993.

FIXED ASSETS

Details of the movement in fixed assets during the year are given in Note 9 to the Accounts.

DIRECTORS

The following persons were directors of the Company during the year:

Mr J R W Ansdell	(resigned 31st May 1993)
Mr B N Barlow	
Mr R Conolly	(appointed 23rd November 1992)
Mr I Fowler	(appointed 19th July 1993)
Mr D Gawler	(appointed 7th June 1993, resigned 25th June 1993)
Mr A G Gormly	(appointed 19th July 1993)
Mr J M Hanbidge	(resigned 31st December 1992)
Mr J P Henry	(resigned 31st May 1993)
Mr G D Law	
Mr D St J McDermott	(resigned 30th June 1993)
Mr H B Olsen	(appointed 3rd June 1993)
Sir Eric W Parker	(resigned 30th June 1993)
Mr C D Parr	
Mr R A Santangelo	
Mr J P Smyth	
Mr J R Sullivan	(resigned 31st December 1992)

CUNARD LINE LIMITED

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DIRECTORS' REPORT (Continued)

Mr R W Wilkins was appointed a director on 1st October 1993.

Mr G D Law resigned as a director on 29th October 1993.

During the period the ultimate parent company, Trafalgar House Public Limited Company, maintained insurance for directors and officers against liabilities in relation to its subsidiary companies.

DIRECTORS' INTERESTS

Given below are the interests in the shares and debentures of the ultimate parent company, Trafalgar House Public Limited Company, of those directors who at 30th September 1993 were not also directors of that company. No director had any interest in the shares of the Company.

	<u>At 30th September 1993</u>		<u>At 30th September 1992</u> (or subsequent date of appointment)		
	<u>Ordinary Shares</u>	<u>Share Options</u>	<u>"A" Ordinary Shares</u>	<u>Ordinary Shares</u>	<u>Share Options</u>
B N Barlow	1,148	40,613	13	904	24,775
R Conolly	4,913	79,924	811	2,349	74,432
G D Law	9,352	-	1,701	7,471	21,778
H B Olsen	-	75,000	-	-	-
C D Parr	37,500	111,076	-	25,000	104,512
R A Santangelo	-	79,191	-	-	75,721
J P Smyth	-	139,848	-	25,000	131,612

During the year the "A" Ordinary shares of Trafalgar House Public Limited Company converted, in accordance with the terms of their issue, into Ordinary shares.

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

TAX STATUS

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

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.

CUNARD LINE LIMITED

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DIRECTORS' REPORT (Continued)

AUDITORS

Since the year end Touche Ross & Co resigned as auditors of the Company and, in their place, KPMG Peat Marwick were appointed as auditors by the directors. 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 held on 23rd June 1992.

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



B N BARLOW  
Secretary

14th January 1994

### 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 as at the end of the financial year and of the profit or loss of the company 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS' REPORT

To the Members of Cunard Line Limited

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on pages 9 to 10. —

### Respective responsibilities of directors and auditors

As described on page 4, 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 30 September 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Peat Marwick*

*14th January, 1994*

KPMG Peat Marwick  
Chartered Accountants &  
Registered Auditors  
1 Puddle Dock  
Blackfriars  
London EC4V 3PD

# 0410394

Cunard Line Limited

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Profit & Loss Account for the year ended 30 September 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u> (as restated)
Turnover ( Continuing Operations )	2	274,909	263,832
Cost of sales		<u>(258,011)</u>	<u>(227,715)</u>
Gross Profit		16,898	36,117
Administrative expenses		<u>(23,341)</u>	<u>(22,514)</u>
Operating (Loss)/Profit ( Continuing Operations )		(6,443)	13,603
Profit on sale of fixed assets in continuing operations		—	11,949
(Loss)/Profit on ordinary activities before interest	3	<u>(6,443)</u>	<u>25,552</u>
Interest receivable and similar income		885	2,288
Interest payable and similar charges	4	<u>(10,359)</u>	<u>(12,645)</u>
(Loss)/Profit on ordinary activities before taxation	5	(15,917)	15,195
Tax on loss/(profit) on ordinary activities	6	1,616	(10,823)
(Loss)/Profit for the financial year		<u>(14,301)</u>	<u>4,372</u>
Dividends		—	(4,291)
Retained (Loss)/Profit for the financial year	18	<u>(14,301)</u>	<u>81</u>

The notes on pages 9 to 18 form part of these accounts

Cunard Line Limited

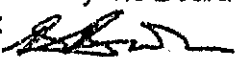
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Balance Sheet at 30 September 1993

	<u>Notes</u>	<u>30 September</u> <u>1993</u> <u>£'000</u>	<u>30 September</u> <u>1992</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Tangible assets	9	153,157	129,721
Investments	11	45	—
		<u>153,202</u>	<u>129,721</u>
<b>CURRENT ASSETS</b>			
Stocks	12	6,068	5,803
Debtors	13	45,188	48,958
Investments		1	1
Cash at bank and in hand		14,978	21,057
		<u>66,235</u>	<u>75,819</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Borrowings	14	(120,514)	(95,941)
Other creditors	15	(80,871)	(80,032)
		<u>(201,385)</u>	<u>(175,973)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(135,150)</u>	<u>(100,154)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,052	29,567
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Borrowings	14	(15,247)	(18,918)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(2,477)	(733)
<b>NET ASSETS</b>		<u>328</u>	<u>9,916</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	100	100
Profit and loss account	18	228	9,816
		<u>328</u>	<u>9,916</u>

The notes on pages 9 to 18 form part of these accounts

These accounts were approved by the Board of Directors on 14th January 1994

and signed on its behalf by: 



## Statement of Total Recognised Gains and Losses

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
(Loss)/Profit for the financial year recognised in the profit and loss account	(14,301)	4,372
Currency translation differences on foreign currency net investments taken directly to reserves	4,713	(678)
Total recognised gains and losses relating to the year	<u>(9,588)</u>	<u>3,694</u>

The notes on pages 9 to 18 form part of these accounts

Notes to the Accounts

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.

(a) Accounting convention

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

(b) Cash flow statement

The company has taken advantage of the exemption under the rules of FRS1 not to produce a cash flow statement. The appropriate amounts have been included in the consolidated accounts of Trafalgar House Public Limited Company.

(c) Foreign currencies

Assets, liabilities and trading results denominated in foreign currencies are translated into sterling at the rates ruling at the year end except where rates of exchange are fixed under contractual arrangements. Differences on exchange arising from the translation of opening net assets of overseas branches and any related loans denominated in foreign currency are taken to reserves. Other exchange differences are taken to the profit and loss account when they arise.

(d) Turnover

Turnover consists of gross revenue receivable on account of passage money and associated travel elements, freight, ship-board sales and other miscellaneous earnings. Voyage results are computed to the end of the voyages finishing closest to 30th September 1993.

(e) Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Notes to the Accounts

1. Accounting policies (continued)

(f) Depreciation

The land and buildings are short-term leasehold properties depreciated on a straight line basis over the lives of the leases. Other fixed assets are depreciated over their estimated useful lives on a straight line basis as follows :

Ship	22.5 years from 1 October 1984
Plant & Equipment	4 to 10 years

(g) Leased Assets

All leases are operating leases and the annual rentals are charged wholly to the profit and loss account.

(h) Fixed asset investments

Shares in associated undertakings are stated at their net asset value.

(i) Stocks

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

(j) Pensions

The expected cost to the company of pensions in respect of the group's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. The company also makes contributions on behalf of employees to defined contribution pension schemes; the amounts charged against the profit and loss account represent the contributions payable to the schemes in respect of the accounting year.

(k) Comparative figures

Certain comparative figures have been restated to accord with the current year's presentation.

## Notes to the Accounts

2. Analysis of Turnover

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u> (as restated)
By geographical location:		
United Kingdom	39,648	42,251
North America	116,889	169,614
Continental Europe	78,215	31,980
South & Central America	15,551	1,937
Africa	627	638
Asia	15,234	7,921
Australasia	8,745	9,491
	<u>274,909</u>	<u>263,832</u>

The geographical analysis of turnover by destination is based on the ships' locations during voyages throughout the year. Geographical analysis of turnover by origin is not significantly different.

Due to the constantly changing location of the company's ship throughout the year there is no realistic analysis available of the net assets of the company by destination or origin.

3. Operating (Loss)/Profit

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u> (as restated)
By geographic location:		
United Kingdom	(778)	2,466
North America	(2,772)	17,672
Continental Europe	(1,911)	3,332
South & Central America	(381)	202
Africa	(15)	66
Asia	(374)	825
Australasia	(212)	989
	<u>(6,443)</u>	<u>25,552</u>

4. Interest payable and similar charges

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Bank loans, overdrafts and other loans repayable within five years	5,608	3,769
Payable to group companies within five years	4,751	8,876
	<u>10,359</u>	<u>12,645</u>

Notes to the Accounts

5. (Loss)/Profit on ordinary activities before taxation

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u> (as restated)
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Auditors' remuneration		
Audit fees	60	129
Non audit fees	87	4
Depreciation:		
Owned assets	8,507	10,123
Hire costs including operating lease payments		
Hire of ships	21,090	14,182
Hire of plant & machinery	506	967
Other operating leases	1,819	1,927
Differences on exchange	30,694	(2,794)

6. Tax on Profit on ordinary activities

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
The tax charge is based on (loss)/profit for the year at 33% ( 1992 : 33% )		
Group relief (receipt)/payment	(134)	14,540
Overseas tax charge	—	4
	(134)	14,544
Adjustments to prior years	(1,482)	(3,721)
	(1,616)	10,823

The potential amount of deferred taxation calculated on the liability method at 33% (1992: 33%) is :

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Accelerated depreciation	32,216	31,162
Other timing differences	(797)	651
	31,419	31,813

Notes to the Accounts

7. Staff numbers and costs

	<u>1993</u> <u>Number</u>	<u>1992</u> <u>Number</u>
The average weekly number of employees, all of whom were engaged on the company's principal activity:		
United Kingdom—Management and Administration	161	166
Overseas—Management and Administration	400	377
Officers and crew	311	393
	<u>872</u>	<u>936</u>

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Staff costs including directors' emoluments		
Wages and salaries	22,685	20,703
Social security costs	1,275	1,319
Other pension costs (note 22)	819	827
	<u>24,779</u>	<u>22,849</u>

8. Directors' emoluments

Directors' emoluments set out below include fees, taxable expense allowances, and pension contributions.

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
In respect of managing the affairs of the company	1,486	1,170
Remuneration of Chairmen	NIL	NIL
Remuneration of highest paid director	158	187

Directors' emoluments (excluding pension costs) fell into the following bands :

	<u>1993</u> <u>Number</u>	<u>1992</u> <u>Number</u>
Not exceeding £5,000	13	9
£35,001 — £40,000	1	—
£45,001 — £50,000	—	1
£50,001 — £55,000	1	—
£155,001 — £160,000	1	—
£185,001 — £190,000	—	1

## Notes to the Accounts

9. Tangible fixed assets

Cost/Valuation :	Short Term Leasehold Properties £'000	Ship £'000	Plant & Equipment £'000	Total £'000
At 1 October 1992	6,321	169,136	12,465	187,922
Additions	14	6,665	955	7,634
Disposals	—	—	(9)	(9)
Exchange differences	1,148	33,703	1,828	36,679
At 30 September 1993	<u>7,483</u>	<u>209,504</u>	<u>15,239</u>	<u>232,226</u>
Accumulated depreciation				
At 1 October 1992	1,888	48,889	7,424	58,201
Charge for the year	402	6,612	1,493	8,507
Disposals	—	—	(10)	(10)
Exchange differences	386	10,696	1,289	12,371
At 30 September 1993	<u>2,676</u>	<u>66,197</u>	<u>10,196</u>	<u>79,069</u>
Net book value:				
At 30 September 1993	<u>4,807</u>	<u>143,307</u>	<u>5,043</u>	<u>153,157</u>
At 1 October 1992	<u>4,433</u>	<u>120,247</u>	<u>5,041</u>	<u>129,721</u>

The directors valued the ship as at 30 September 1993. In the view of the directors, current market conditions are capable of supporting the current book value.

Plant and equipment includes motor vehicles, office furniture and equipment and computer equipment.

10. Lease commitments

Operating lease payments payable within one year are as follows :

	1993 £'000	1992 £'000
Land and Buildings:		
In respect of leases expiring after five years	<u>1,989</u>	<u>1,651</u>
Other:		
In respect of leases expiring within one year	17	200
Between two and five years	500	800
After five years	<u>21,040</u>	<u>16,115</u>
	<u>21,557</u>	<u>17,115</u>
	<u>23,546</u>	<u>18,766</u>

## Notes to the Accounts

11. Fixed asset investments

	Shares in associated undertaking £'000
At 1 October 1992	-
Additions	80
Provision for permanent diminution in value	(35)
At 30 September 1993	<u>45</u>

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

Shares held in associated undertakings are as follows:

	Principal Activity	Class of Shares	Proportion of Equity held	Country of Incorporation
Cunard American International Cruises Limited	Shipping	Ordinary	40%	Bermuda

12. Stocks

	1993 £'000	1992 £'000
Goods for resale	953	1,330
Consumable stores	5,115	4,473
	<u>6,068</u>	<u>5,803</u>

13. Debtors

	1993 £'000	1992 £'000
Amounts falling due within one year:		
Trade debtors	6,478	2,171
Amount owed by immediate parent undertaking	-	978
Amounts owed by fellow subsidiary undertakings	6,586	10,132
Other debtors	11,769	12,019
Prepayments and accrued income	19,403	21,882
	<u>44,236</u>	<u>47,182</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	952	1,776
	<u>45,188</u>	<u>48,958</u>



## Notes to the Accounts

14. Borrowings

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Bank overdrafts	41,261	15,857
Unsecured bank loans repayable by instalments by 1997, at interest rates between 9.5% and 11.275% per annum	26,641	20,302
Group company loans – fellow subsidiary companies, repayable by 1997 at interest rates between 3.3125% and 10.75% per annum	67,859	78,700
	<u>135,761</u>	<u>114,859</u>

Borrowings are repayable as follows:

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Within one year	120,514	95,941
Between one and two years	8,942	4,828
Between two and five years	6,305	14,090
	<u>135,761</u>	<u>114,859</u>

15. Creditors : amounts falling due within one year

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Trade creditors	6,170	2,903
Amounts owed to immediate parent undertaking	612	1,187
Amounts owed to fellow subsidiary undertakings	709	13,885
Other taxes and social security	33	415
Corporation tax	425	1,907
Accruals and deferred income		
Passage money in advance	52,796	43,221
Other accruals and deferred income	20,126	12,223
Dividends proposed	–	4,291
	<u>80,871</u>	<u>80,032</u>

16. Provisions for liabilities and charges

	<u>£'000</u>
As at 1 October 1992	733
Provisions raised during the year	3,137
Provisions released during the year	(127)
Utilised during the year	(1,266)
As at 30 September 1993	<u>2,477</u>

These consist principally of provisions for the amount of policy excess in relation to hull and machinery claims, as well as provisions relating to insurance claims submitted or booked.

Cunard Line Limited

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## Notes to the Accounts

17. Share capital

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Authorised, allotted and fully paid 100,000 shares of £1 each	100	100

18. Reserves

	<u>Profit and Loss account</u> <u>£'000</u>
As at 1 October 1992	9,816
Retained loss for the financial year	(14,301)
Exchange movement	4,713
As at 30 September 1993	<u>228</u>

19. Reconciliation of movements in shareholders' funds

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
(Loss)/Profit for the financial year	(14,301)	4,372
Dividends	—	(4,291)
	<u>(14,301)</u>	<u>81</u>
Other recognised gains and losses relating to the year (net)	4,713	(678)
Net deduction from shareholders' funds	<u>(9,588)</u>	<u>(597)</u>
Opening shareholders' funds	9,916	10,513
Closing shareholders' funds	<u>328</u>	<u>9,916</u>

20. Capital commitments

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Contracted	26	293
Authorised but not contracted	844	4,726
	<u>870</u>	<u>5,019</u>

21. Contingent liabilities

The company's ship is 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.

The company has contingent liabilities under joint and several guarantees given to the bankers in support of the borrowings of other group companies party to memorandum and joint bank accounts, of which this company is a member.

Notes to the Accounts22. Pensions

The company's employees are members of defined benefit and defined contribution pension schemes operated by the Trafalgar House Group 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 the group.

The company's contributions to the defined benefit scheme are based on the expected cost of pensions across the Trafalgar House Group as a whole and are charged to the profit and loss account so as to spread the costs of pensions over the service lives of employees within the group scheme. Details of the actuarial valuation of the group scheme are contained in the report and accounts of Trafalgar House Public Limited Company.

The company also operates a non contributory defined benefit pension plan, the Cunard Line Limited Retirement Plan, for its employees in the USA. The assets of the plan are held in a trustee administered fund separate from the company's finances. No contributions were paid in the year to this plan ( 1992 : £Nil ). The levels of contributions were determined following an independent actuarial valuation of the plan by Deloitte & Touche as at 1 January 1992 using an aggregate cost method. The principal actuarial assumptions adopted for the purposes of that valuation were rate of return on investments of 8% per annum and salary increases of 6% per annum.

At the valuation date the actuarial value of the assets on this basis was sufficient to cover 175% of the benefits that had accrued to the members of this plan. The surplus arrived at by the valuation is not being amortised over the period which reflects the average remaining service lives of the members of the plan, the company having decided to suspend contributions until the surplus is eliminated. The market value of the assets at 31 December 1991 was US\$13,268,000.

Certain officers and crew are members of defined benefit Merchant Navy Officers and Merchant Navy Flatings Pension Funds respectively. Details of the actuarial valuation of the Merchant Navy schemes are obtainable from : Merchant Navy Pensions Administration Limited, Ashcombe House, The Crescent, Leatherhead, Surrey KT22 8LQ.

The company's contributions to the defined contribution schemes are paid and accrued according to the specification of the schemes.

23. 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.