

BELFAST FREIGHT FERRIES LIMITED

REPORT AND FINANCIAL STATEMENTS

**For the Year Ended
30th September 1999**



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Company No 925768

BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT Year Ended 30th September 1999

The directors present their report and financial statements for the year ended 30th September 1999.

Directors

The directors who held office during the period and since the year were:

M A W Hendry	
M J Gladwyn	
R Kimber	(Resigned 15 th November 1998)
A S Peacock	(Resigned 24 th November 1999)
T F Wright	
P B Morton	(Resigned 30 th September 1999)

None of the directors had any interest in the share capital of the company at 30 September 1999 or 30 September 1998.

The interests of Mr M A W Hendry and Mr P B Morton in the share capital of the ultimate holding company, Cenargo International Plc, are shown in the directors report of that company.

Activity

The principal activity of the company was the operation of a freight ferry service between Belfast and Heysham in Lancashire.

Results and Dividend

The profit for the period after taxation amounted to £17,097,539 (nine months ended 30 September 1998 - £820,050).

The directors do not recommend payment of a dividend.

Fixed Assets

Details of movements in fixed assets are set out in note 9 to the financial statements.

Future Activity

On 30 September 1999, following a group reorganisation, the business and assets of the company were sold to its parent company, Merchant Ferries Plc. The finance leased ships were sold to a fellow subsidiary company on termination of the leases on 22nd October 1999. These and the Company's remaining ship have been bareboat chartered to Merchant Ferries Plc.

BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT (continued) Year Ended 30th September 1999

Year 2000 Problem

The directors are pleased to confirm that following the successful completion of the Company's Year 2000 project, no significant disruption to the company's business occurred on the date change rollover to 1st January 2000. The Year 2000 project included reference to internal computer systems and equipment, relationships with third parties and contingency planning. It is widely accepted that the Year 2000 problem will continue to be a risk through 2000 and into 2001 and the directors are continuing to review the risks associated with the Year 2000 problem.

Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problem will remain because some level of failure may still occur. However, the directors believe that an acceptable state of readiness will be achieved. Further costs associated with the Year 2000 problem are not expected to be significant.

Introduction of the Euro

The directors continue to review the issues concerning the introduction of the Euro and its impact on the Company. Although the directors will continue to review the implications of the introduction of the Euro, it is not expected to have a significant impact on the Company, ahead of the decision on the timing of the United Kingdom's entry in the Euro.


Creditor Payment Policy

The company's strategy is to develop mutually beneficial relationships with key suppliers. It agrees appropriate terms and conditions of supply at the start of business, and seeks to abide by those terms and conditions, provided it is satisfied that the supplier has also complied with them. The average payment period for creditors for the Company during the year was 29 days.

Auditors

Moore Stephens have expressed their willingness to continue in office and offer themselves for re-appointment in accordance with Section 385(2) of the Companies Act 1985.

BY ORDER OF THE BOARD



J P SEWELL
Secretary

31 January, 2000

BELFAST FREIGHT FERRIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition the directors are required:

- to select appropriate accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Additionally they have responsibility for maintaining 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, and have responsibility for safeguarding the assets of the company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors confirm that the financial statements comply with the above requirements.

**AUDITORS' REPORT TO THE MEMBERS OF
BELFAST FREIGHT FERRIES LIMITED**

We have audited the financial statements on pages 5 to 14.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 affairs of the company at 30th September 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORE STEPHENS
Chartered Accountants
And Registered Auditors
St Paul's House
London EC4P 4BN

7 February 2000

BELFAST FREIGHT FERRIES LIMITED

PROFIT and LOSS ACCOUNT
Year Ended 30th September 1999

		Year Ended 30/09/99	Nine Months Ended 30/09/98
	Note	1999 £	1998 £
Turnover from discontinued activities	2	20,509,617	13,007,640
Costs and overheads	3	<u>(18,140,973)</u>	<u>(11,165,637)</u>
Operating Profit		2,368,644	1,842,003
Interest	6	(645,141)	(612,777)
Profit on Sale of Business and Assets	8	15,986,683	-
Profit On Ordinary Activities Before Taxation		<u>17,710,186</u>	<u>1,229,226</u>
Taxation on profit on ordinary activities	7	(612,647)	(409,176)
Retained Profit for the Period	20	<u>17,097,539</u>	<u>820,050</u>

All recognised gains and losses are included in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year Ended 30th September 1999

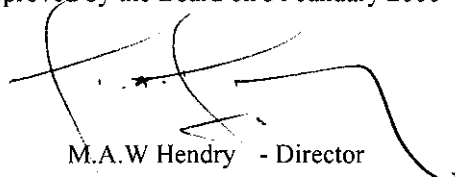
	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
Reported profit on ordinary activities before taxation	17,710,186	1,229,226
Difference between historical cost depreciation and depreciation calculated on the revalued amount	<u>-</u>	<u>112,963</u>
Historical cost profit on ordinary activities before taxation	<u>17,710,186</u>	<u>1,342,189</u>
Historical cost retained profit for the period	<u>17,097,539</u>	<u>933,013</u>

BELFAST FREIGHT FERRIES LIMITED

BALANCE SHEET At 30th September 1999

		1999		1998
		£	£	£
Fixed Assets				
Tangible assets	9		9,994,812	12,893,334
Current Assets				
Stock	10	-		298,083
Debtors	11	19,341,789		4,334,029
Cash at bank and in hand		-		391,786
		<u>19,341,789</u>		<u>5,023,898</u>
Creditors: amounts falling due within one year	12	<u>1,439,580</u>		<u>4,372,213</u>
Net Current Assets			<u>17,902,209</u>	<u>651,685</u>
Total Assets Less Current Liabilities			27,897,021	13,545,019
Creditors: amounts falling due after more than one year	13	6,461,194		7,738,957
Provision for liabilities and charges	15	<u>-</u>		<u>225,372</u>
Net Assets			<u>6,461,194</u>	<u>7,964,329</u>
			<u>21,435,827</u>	<u>5,580,690</u>
Capital And Reserves				
Called-up share capital	18	100,000		100,000
Revaluation reserve	20	-		1,242,402
Profit and loss account	20	21,335,827		4,238,288
Equity Shareholders' Interest	19	<u>21,435,827</u>		<u>5,580,690</u>

Approved by the Board on 31 January 2000


M.A.W Hendry - Director

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 30th September 1999

1. Accounting Policies

(a) General

The accounting policies used are in accordance with generally accepted accounting principles. The financial statements have been prepared on the historical cost basis including the revaluation of certain fixed assets and in accordance with applicable accounting standards.

Transactions with Group undertakings are not disclosed as the company's results are included in the consolidated financial statements of Cenargo International plc.

(b) Depreciation

The following depreciation policies are adopted by the company:-

- i) **Ships**
The costs of ships are depreciated on a straight line basis over their estimated useful lives, assuming a residual current market scrap value.
- ii) **Assets on Chartered Ships**
The costs of assets on chartered ships are depreciated on a straight line basis over the period of the charter.
- iii) **Plant and Equipment**
These assets are depreciated over their expected useful life which when new vary from 3 - 15 years.

(c) Leased Assets

Assets used by the company which have been funded through finance leases are capitalised and depreciated over their estimated useful lives in accordance with the company's normal depreciation policy. The resulting lease obligations are included in creditors. Finance lease interest costs and rentals payable under operating leases are charged directly to the profit and loss account.

(d) Stock

Stock is shown at cost and comprises fuel held in the ships' tanks, lubricants, provisions and spare parts.

(e) Deferred Taxation

Deferred taxation is calculated on the liability method and takes account of material timing differences between the accounting and taxation treatment of certain items. Provision is not made where it is considered that no liability is likely to arise in the foreseeable future (see note 15).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

1. Accounting Policies (continued)

(f) Dry Docking

Dry docking costs are amortised over 30 months from the date of completion. Unamortised costs at the year end are included in prepayments.

(g) Pension Costs

The costs of providing pensions are charged to the profit and loss account in accordance with the advice given by independent professionally qualified actuaries.

(h) Cash Flow Statement

The Company is not required under FRS1 to prepare a cash flow statement. The cash flow is dealt with in a consolidated cash flow statement reported in the Financial Statement of the ultimate Parent.

2. Turnover

Turnover is the total amount receivable by the company for services provided, stated net of Value Added Tax, and arises from the provision of a freight ferry service in the United Kingdom.

3. Costs and Overheads

	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
Raw materials and consumables	1,491,021	1,050,654
Other external charges	7,822,450	6,024,157
Charter of ships	5,349,925	1,810,278
Hire of plant and machinery	6,812	5,100
Staff costs (note 4)	1,208,855	720,363
Depreciation of tangible fixed assets	1,517,699	1,080,488
Profit on sale of tangible fixed assets	-	(3,557)
Other operating charges	734,611	468,924
Auditors' remuneration	9,600	9,230
	<u>18,140,973</u>	<u>11,165,637</u>

4. Staff Costs

	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
(a) Staff costs (including executive directors) comprise:		
Wages and salaries	1,067,309	632,588
Social security costs	104,650	61,998
Other pension costs (see note 16)	36,896	25,777
	<u>1,208,855</u>	<u>720,363</u>

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

4. Staff Costs (continued)

(b) The average monthly number of employees during the period was as follows:

	No.	No.
Total	70	57

5. Directors' Emoluments

	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
Remuneration	110,138	110,206
Pension provision (see note 16)	11,197	9,456
	<u>121,335</u>	<u>119,662</u>

6. Interest

	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
Payable:		
On bank overdraft and loans from parent undertaking	6,082	44,820
Bank loan not wholly repayable within five years	2,203	3,804
On finance leases	641,781	580,102
	<u>650,066</u>	<u>628,726</u>
Receivable	4,925	15,949
	<u>645,141</u>	<u>612,777</u>

7. Taxation On Profit On Ordinary Activities

	Year Ended 30/09/99 £	Nine Months Ended 30/09/98 £
The taxation charge for the period comprises:-		
UK corporation tax at 30% (1998 – 31%)	690,000	470,000
Adjustment relating to previous year	13,716	5,107
Transfer from deferred taxation	(91,069)	(65,931)
	<u>612,647</u>	<u>409,176</u>

8. Sale of business and assets

On 30 September 1999 the company sold its business and assets to its parent company, Merchant Ferries Plc, for a consideration of £20 million. The resulting profit of £15,986,683 has been credited to the profit and loss account.

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

9. Tangible Fixed Assets	Ships & Assets on ships £	Plant and Equipment £	Total £
COST OR VALUATION			
At 30 th September 1998	16,996,378	793,734	17,790,112
Additions	-	34,373	34,373
Disposals	-	-	-
Revaluation	(1,242,402)	-	(1,242,402)
Inter-group transfers	-	(828,107)	(828,107)
At 30th September 1999	15,753,976	-	15,753,976
DEPRECIATION			
At 30 th September 1998	4,339,287	557,491	4,896,778
Provisions	1,419,877	97,822	1,517,699
Relating to disposals	-	-	-
Inter-group transfers	-	(655,313)	(655,313)
At 30th September 1999	5,759,164	-	5,759,164
NET BOOK VALUE			
At 30th September 1999	9,994,812	-	9,994,812
At 30 th September 1998	12,657,091	236,243	12,893,334
Cost or valuation comprises:			
Cost	9,879,982	-	9,879,982
Valuation in 1994	7,116,396	-	7,116,396
Valuation in 1999	(1,242,402)	-	(1,242,402)
	15,753,976	-	15,753,976

The net book value of tangible assets held under finance leases amounted to £9,571,430 (1998: £11,591,415). Depreciation charged on those assets amounted to £1,040,530 (1998: (809,757))

The Fleet has been revalued during the year based on independent professional valuations.

10. Stock	1999 £	1998 £
Fuel	-	69,825
Provisions	-	56,358
Spares	-	171,900
	-	298,083

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

11. Debtors	1999 £	1998 £
Trade debtors	-	3,092,279
Other debtors	-	161,982
Prepayments	-	1,079,768
Amounts owed from group undertakings	19,341,789	-
	<u>19,341,789</u>	<u>4,334,029</u>

12. Creditors: Amounts falling due within one year	1999 £	1998 £
Finance lease	1,439,580	1,389,984
Trade creditors	-	1,169,242
Other taxes	-	421,573
Corporate taxation	-	520,697
Amounts owed to group undertakings	-	323,755
Accruals	-	546,214
Bank overdraft	-	748
	<u>1,439,580</u>	<u>4,372,213</u>

13. Creditors: Amounts falling due after more than one year	1999 £	1998 £
Finance lease	6,461,194	7,738,957
	<u>6,461,194</u>	<u>7,738,957</u>

All creditors due after one year relate to future lease payments. The payments to which the company is committed at 30th September 1999 relate to finance charges allocated to future periods as follows:

	1999 £	1998 £
Less than 1 year	2,017,054	2,036,830
1-2 years	2,024,748	2,030,496
2-5 years	5,626,375	6,078,209
Over 5 years	207,478	1,108,411
	<u>9,875,655</u>	<u>11,253,946</u>
Finance charges allocated to future periods	1,974,881	2,125,004
	<u>7,900,774</u>	<u>9,128,942</u>
Amounts falling due within one year	1,439,580	1,389,985
Amounts falling due after more than one year	6,461,194	7,738,957
	<u>7,900,774</u>	<u>9,128,942</u>

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

14. Operating Leases

The future operating lease payments which the company is committed to make during the next year, at 30th September 1999, are as follows:-

	£
(a) Ship under time charter Expiring – less than one year	<u>560,697</u>

15. Provision for Liabilities and charges

	1999 £	1998 £
Deferred Taxation		
Capital allowances	-	141,801
Other timing differences	-	(50,732)
	-	<u>91,069</u>
Pension provision (See note 16)	-	<u>134,303</u>
	-	<u>225,372</u>

The liability for deferred taxation provided in the financial statements is computed at a rate of taxation of 30% (1998 – 30%).

Potential liabilities for deferred taxation not provided in the accounts computed at 30% (1998 – 30%) comprise:

	1999 £	1998 £
On revaluation of ships	-	<u>406,000</u>

16. Pension Commitments

The company is a participating employer in the Scruttons Group Pension Fund which is designed to provide retirement benefits for the majority of eligible UK employees between the age of 21 and normal retirement age (or age 60 years by consent).

The group scheme is a defined benefit pension scheme and the assets of the scheme are held in a trustee administered fund separately from those of the group. The pension cost relating to the scheme is assessed in accordance with the advice of independent professionally qualified actuaries based on the pension cost across the group as a whole. It is calculated to spread the cost of pensions over the employees' expected working lives. The financial statements of Cenargo International Plc, the ultimate parent undertaking, include details of the most recent actuarial valuation of the scheme which was completed at 31st March 1997. The next triennial valuation of the scheme will be at 31st March 2000.

The total pension provision required to be made under SSAP 24 for the company for the period ended 30th September 1999 was £34,133 (period ended 30th September 1998: £25,777).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 30th September 1999

17. Secured Liabilities

The obligations under the *mv Saga Moon* lease are secured by a charge on the company's business and assets and are guaranteed by the ultimate parent undertaking.

The obligations under the *mv River Lune* lease are guaranteed by the parent undertaking.

18. Called Up Share Capital

	1999 £	1998 £
Ordinary shares of £1 each Authorised	500,000	500,000
Allotted and fully paid	100,000	100,000

19. Reconciliation of Movement in Shareholders' Funds

	Year Ended 30/09/99 £	Nine months Ended 30/09/98 £
Profit for year	17,097,539	820,050
Dividends	-	-
	17,097,539	820,050
Opening shareholders' funds	5,580,690	4,760,640
Revaluation Adjustment	(1,242,402)	-
Closing shareholders' funds	21,435,827	5,580,690

20. Reserves

	Revaluation Reserve £	Profit & Loss Account £
At beginning of year	1,242,402	4,238,288
Retained profit for the year	-	17,097,539
Ships revaluation	(1,242,402)	-
At end of year	-	21,335,827

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 30th September 1999

21. ULTIMATE PARENT UNDERTAKING

Cenargo International Plc is regarded by the directors as being the company's ultimate holding company.

Group accounts for Cenargo International Plc are available to the public from Companies Registration Office, Companies House, Crown Way, Cardiff on payment of the appropriate fee.

22. Contingent Liability

On 19 June 1998 Cenargo International Plc refinanced the majority of its group borrowings by concurrently issuing US\$ 175 million of 9.75% First Priority Ship Mortgage Notes in the United States of America and drawing down the first tranche of an associated US\$85 million bank loan facility. Belfast Freight Ferries Limited has guaranteed the above loan note and bank loan facilities. At 30 September 1999, the balance outstanding under these facilities was US\$ 234.75 million.

23. Post Balance Sheet Events

On 22nd October 1999 the company terminated the finance leases for the ships *River Lune* and *Saga Moon*. Group funds were used to finance the termination rentals paid to the lessors. The ships were purchased by a fellow subsidiary company and bareboat chartered to Merchant Ferries Plc.