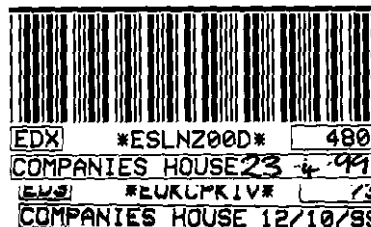


BELFAST FREIGHT FERRIES LIMITED

REPORT AND FINANCIAL STATEMENTS

For the Nine Months Ended
30th September 1998



BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT

Nine Months Ended 30th September 1998

The directors present their report and financial statements for nine months ended 30th September 1998.

DIRECTORS

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

M J Gladwyn	
J K Craig	(Resigned 30th September 1998)
R Kimber	(Resigned 15 th November 1998).
A S Peacock	
T F Wright	
M A W Hendry	(Appointed 3rd February 1998)
P B Morton	(Appointed 3rd February 1998)

None of the directors had any interest in the share capital of the company at 30 September 1998 or 31st December 1997.

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 is 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 £ 820,050(1997 - £279,722).

The directors do not recommend payment of a dividend.

FIXED ASSETS

Details of movements in fixed assets are set out in note 8 to the financial statements.

FUTURE ACTIVITY

The directors do not foresee any significant change in the activities of the company in 1999 but expect to continue to trade in a very competitive environment.

YEAR 2000 PROBLEM

The directors are continuing to review risks associated with the Year 2000 problem with regard to internal computer systems and equipment and in connection with relationships with third parties. Once this has been completed the likely impact on the activities of the company can be further assessed and corrective action taken.

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. Total costs associated with the Year 2000 problem have not yet been quantified, but are not expected to be significant.

BELFAST FREIGHT FERRIES LIMITED
DIRECTORS' REPORT (continued)
Nine Months Ended 30th September 1998

INTRODUCTION OF THE EURO

The Directors have reviewed the issues concerning the introduction of the Euro and its likely impact on the Company. Although the Directors will continue to review the implications of the introduction of the Euro post 1st January 1999, it is not expected to have a significant impact on the Company.

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 47 days.

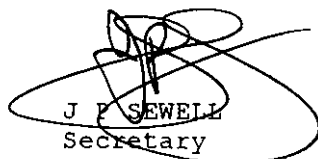
HEALTH & SAFETY AT WORK

The company operates a health and safety policy as required under the Health and Safety at Work Act 1974.

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

19th January 1999

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.

19th January 1999

AUDITORS' REPORT TO THE MEMBERS OF

BELFAST FREIGHT FERRIES LIMITED

We have audited the financial statements on pages 5 to 15.

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.

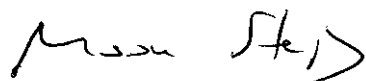
Basis of Opinion

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 1998 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

27 January 1999

BELFAST FREIGHT FERRIES LIMITED
PROFIT and LOSS ACCOUNT
Nine Months Ended 30th September 1998

		Nine Months To 30/09/98	Year Ended 31/12/97
	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER	2	13,007,640	16,569,958
Costs and overheads	3	(11,165,637)	(15,169,697)
OPERATING PROFIT		1,842,003	1,400,261
Interest	6	(612,777)	(967,441)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,229,226	432,820
Taxation on profit on ordinary activities	7	(409,176)	(153,098)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		820,050	279,722
DIVIDEND PAID (1998:Nil (1997: £1.00) per share)		-	(100,000)
RETAINED PROFIT FOR THE PERIOD	19	820,050	179,722

All amounts above relate to the continuing operations of the company.

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

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Nine Months Ended 30th September 1998

	Nine Months To 30/09/98	Year Ended 31/12/97
	£	£
Reported profit on ordinary activities before taxation	1,229,226	432,820
Difference between historical cost depreciation and depreciation calculated on the revalued amount	112,963	112,963
Historical cost profit on ordinary activities before taxation	1,342,189	545,783
Historical cost retained profit for the period	1,455,152	292,685

BELFAST FREIGHT FERRIES LIMITED

BALANCE SHEET

At 30th September 1998

		Nine Months To 30/09/98 £	Year Ended 31/12/97 £
FIXED ASSETS			
Tangible assets	8	12,893,334	13,877,770
CURRENT ASSETS			
Stock	9	298,083	296,783
Debtors	10	4,334,029	3,991,470
Cash at bank and in hand		391,786	575,186
		-----	-----
		5,023,898	4,863,439
Creditors: amounts falling due within one year	11	4,372,213	4,954,094
		-----	-----
NET CURRENT ASSETS / (LIABILITIES)		651,685	(90,655)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		13,545,019	13,787,115
Creditors: amounts falling due after more than one year	12	7,738,957	8,760,949
Provision for liabilities and charges	14	225,372	265,526
		-----	-----
		7,964,329	9,026,475
		-----	-----
NET ASSETS		5,580,690	4,760,640
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	17	100,000	100,000
Revaluation reserve	19	1,242,402	1,355,365
Profit and loss account	19	4,238,288	3,305,275
		-----	-----
EQUITY SHAREHOLDERS' INTEREST	18	5,580,690	4,760,640
		=====	=====

Approved by the Board on 19 January 1999

P B Morton)

Directors

A S Peacock

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Nine Months Ended 30th September 1998

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, Equipment and Vehicles

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 and provisions.

(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 14).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Nine Months Ended 30th September 1998

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

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
Change in stock	(1,300)	30,813
Raw materials and consumables	1,051,954	1,560,838
Other external charges	6,024,157	7,877,047
Charter of ships	1,810,278	1,967,438
Hire of plant and machinery	5,100	6,932
Staff costs (note 4)	720,363	943,381
Depreciation of tangible fixed assets	1,080,488	1,538,153
Profit on sale of tangible fixed assets	(3,557)	-
Other operating charges	468,924	1,240,555
Auditors' remuneration	9,230	4,540
	----- 11,165,637 =====	----- 15,169,697 =====

4. STAFF COSTS

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
(a) Staff costs (including executive directors) comprise:		
Wages and salaries	632,588	836,189
Social security costs	61,998	74,323
Other pension costs (see note 15)	25,777	32,869
	----- 720,363 =====	----- 943,381 =====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Nine Months Ended 30th September 1998

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

	<u>No.</u>	<u>No.</u>
Office administration and clerical	57	57
	==	==

5. DIRECTORS' EMOLUMENTS

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
Remuneration	110,206	144,736
Pension provision (see note 15)	9,456	13,181
	-----	-----
	119,662	157,917
	=====	=====

6. INTEREST

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
Payable:		
On bank overdraft and loans from parent undertaking	44,820	105,741
Bank loan not wholly repayable within five years	3,804	21,361
On finance leases not wholly repayable within five years	580,102	854,252
	-----	-----
	628,726	981,354
Receivable	15,949	13,913
	-----	-----
	612,777	967,441
	=====	=====

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the period comprises:-

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
UK corporation tax at 31%(1997 - 31.5%)	470,000	300,000
Adjustment relating to previous year	5,107	(20,902)
Transfer from deferred taxation	(65,931)	(109,000)
Deferred taxation credit resulting from change in tax rate	-	(17,000)
	-----	-----
	409,176	153,098
	=====	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Nine Months Ended 30th September 1998

8. TANGIBLE FIXED ASSETS

	<u>Owne</u> <u>Ship</u>	<u>Assets</u> <u>under</u> <u>Finance</u> <u>Lease</u>	<u>Assets on</u> <u>Leased</u> <u>Ships</u>	<u>Plant &</u> <u>Machinery</u>	<u>Total</u>
a) Movements in year	£	£	£	£	£
COST OR VALUATION					
At 31st December 1997	2,120,376	14,326,899	517,383	747,770	17,712,428
Additions	-	-	31,720	69,575	101,295
Disposals	-	-	-	(23,611)	(23,611)
At 30th September 1998	2,120,376	14,326,899	549,103	793,734	17,790,112
DEPRECIATION					
At 31st December 1997	843,480	1,984,310	490,240	516,628	3,834,658
Provision	211,500	779,809	29,948	59,231	1,080,488
Relating to disposals	-	-	-	(18,368)	(18,368)
At 30th September 1998	1,054,980	2,764,119	520,188	557,491	4,896,778
NET BOOK VALUE					
At 30th September 1998	1,065,396	11,562,500	28,915	236,243	12,893,334
At 31st December 1997	1,276,896	12,342,780	27,143	231,142	13,877,770
b) Cost or valuation comprises:					
Cost	3,980	9,358,619	549,103	793,734	10,673,716
Valuation in 1994	2,116,396	5,000,000	-	-	7,116,396
	2,120,376	14,326,619	549,103	793,734	17,790,112

9. STOCK

	<u>30th September</u> <u>1998</u> £	<u>31st December</u> <u>1997</u> £
Fuel	69,825	72,547
Provisions	56,358	29,698
Spares	171,900	194,538
	298,083	296,783

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Nine Months Ended 30th September 1998

10. DEBTORS

	30th September 1998 £	31st December 1997 £
Due within one year:		
Trade debtors	3,092,279	3,178,923
Other debtors	161,982	229,287
Prepayments	1,079,768	583,260
	-----	-----
	4,334,029	3,991,470
	=====	=====

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30th September 1998 £	31st December 1997 £
Current portion of long term loan	-	196,150
Finance lease	1,389,984	1,277,911
Trade creditors	1,169,242	1,219,232
Other taxes	421,573	473,823
Corporate taxation	520,697	300,000
Amounts owed to group undertakings	323,755	1,305,985
Accruals	546,214	180,993
Bank overdraft	748	-
	-----	-----
	4,372,213	4,954,094
	=====	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Nine Months Ended 30th September 1998

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30th September 1998 £	31st December 1997 £
Finance Lease	7,738,957	8,760,949
	-----	-----
	7,738,957	8,760,949
	=====	=====
The bank loan was repayable in 17 equal half-yearly instalments and bears interest at 7.5% per annum as follows. This loan was fully repaid during the period.		
	-----	-----
Less than 1 year	-	196,150
	=====	=====

All creditors due after one year relate to future lease payments. The payments to which the company is committed at 30th September 1998 relate to finance charges allocated to future periods as follows:

	30th September 1998 £	31st December 1997 £
Less than 1 year	2,036,830	2,013,122
1 - 2 years	2,030,496	2,023,117
2 - 5 years	6,078,209	6,127,945
Over 5 years	1,108,411	2,640,119
	-----	-----
	11,253,946	12,804,303
Finance charges allocated to future periods	2,125,004	2,765,443
	-----	-----
	9,128,942	10,038,860
	=====	=====
Amounts falling due within one year	1,389,985	1,277,911
Amounts falling due after more than one year	7,738,957	8,760,949
	-----	-----
	9,128,942	10,038,860
	=====	=====

13. OPERATING LEASES

The future operating lease payments which the company is committed to make during the next year, at 30th September 1998, are as follows:-

	£
(a) Ship under time charter	636,352
Expiring - less than one year	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Nine Months Ended 30th September 1998

14. PROVISION FOR LIABILITIES AND CHARGES

	30th September 1998 £	31st December 1997 £
Deferred Taxation		
Capital allowances	141,801	350,000
Other timing differences	(50,732)	(193,000)
	-----	-----
	91,069	157,000
Pension provision (see note 15)	134,303	108,526
	-----	-----
	225,372	265,526
	=====	=====

The liability for deferred taxation provided in the financial statements is computed at a rate of taxation of 30% (1997 - 31%).

Potential liabilities for deferred taxation not provided in the accounts computed at 30% (1997 - 31%) comprise:

	30th September 1998 £	30th December 1997 £
On revaluation of ships	406,000	420,000
	=====	=====

15. 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.

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 most recent actuarial valuation of the scheme 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 1998 was £25,777 (year ended 31st December 1997: £32,869).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Nine Months Ended 30th September 1998

16. SECURED LIABILITIES

- (a) The bank overdraft and a bank guarantee are secured by a fixed and floating charge over the company's assets together with a guarantee from the immediate parent undertaking.
- (b) 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.
- (c) The obligations under the mv "River Lune" lease are guaranteed by the parent undertaking and by the company's bankers up to £500,000.

17. CALLED UP SHARE CAPITAL

	30th September 1998 £	31st December 1997 £
Ordinary shares of £1 each Authorised	500,000 =====	500,000 =====
Allotted and fully paid	100,000 =====	100,000 =====

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
Profit for period	820,050	279,722
Dividends	-	(100,000)
	820,050	179,722
Opening shareholders' funds	4,760,640	4,580,918
Closing shareholders' funds	5,580,690	4,760,640

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Nine Months Ended 30th September 1998

19. RESERVES

	Revaluation Reserve £	Profit & Loss Account £
At beginning of period	1,355,365	3,305,275
Retained profit for the period		820,050
Reclassification of ships revaluation depreciation	(112,963)	112,963
	-----	-----
At end of period	1,242,402	4,238,288
	=====	=====

The reclassification of ships revaluation depreciation is the transfer of that element of the depreciation charge for the period which relates to the depreciation of the revaluation of the ships.

20. ULTIMATE PARENT UNDERTAKING

On 17th December 1997 Cenargo Fast Ferries (No. 2) PLC, a wholly-owned subsidiary of Cenargo International Plc, made recommended offers to purchase the entire share capital of Scruttons plc, Belfast Freight Ferries Limited immediate holding company. The offers were declared unconditional on 2nd February 1998. Accordingly, from that date, 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.

21. PURCHASE OF SHARE OPTIONS.

On 2nd February 1998 Cenargo International Plc purchased all existing share options issued at £3.05. The purchase price was £3.20 representing a payment of £0.15 per share. All 98,000 shares options held by the directors of the company were subsequently cancelled.

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\$ 85.5 million bank loan facility. Belfast Freight Ferries Limited has guaranteed the above loan note and bank loan facilities.

At 30 September 1998, the balance outstanding under these facilities was US\$ 217.65 million.

BELFAST FREIGHT FERRIES LIMITED

DETAILED PROFIT and LOSS ACCOUNT

Nine Months Ended 30th September 1998

	£	Nine Months To 30/09/98 £	Year Ended 31/12/97 £
REVENUE		13,007,640	16,569,958
OVERHEADS			
Ship charters	1,810,278		1,967,438
Ship management	2,242,477		2,981,684
Fuel	1,050,645		1,591,651
Stevedoring, harbours and pilotage	2,932,553		3,816,918
Other ship costs (inc insurance)	859,412		1,132,533
Damage claims	100,305		134,905
Salaries and wages	720,363		943,379
Motor vehicles	23,073		29,849
Travelling	25,187		37,076
Entertaining	6,939		14,987
Rent & rates, heat & light	(5,142)		3,912
Repairs and maintenance	20,340		22,103
Telephone and telex	20,222		24,376
General insurance	27,974		36,500
Advertising	8,107		9,848
Postage and stationery	19,692		31,677
Sundry expenses	45,371		38,439
Computer costs	11,025		14,471
Audit fees	9,230		4,540
Professional charges	6,532		9,548
Development costs	500		2,750
Bad debt provision	(31,340)		249,584
Depreciation	1,080,487		1,538,153
Profit on sale of fixed assets	(3,557)		-
Management fees	175,500		525,000
Bank charges	9,464		8,376
	-----	11,165,637	15,169,697
OPERATING PROFIT		1,842,003	1,400,261
INTEREST PAYABLE		(612,777)	(967,441)
PROFIT BEFORE TAXATION		1,229,226	432,820
		=====	=====