

BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

Company Number: 00925768



**Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005**

Contents

	<u>Page</u>
Company Information	1
Report of the Directors	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditors' report to the members of Belfast Freight Ferries Limited	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 - 13

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Directors

L. Olsen
K. Robdrup
P. S. Shepherd
T. Woldbye

Company Secretary

J. Hutchinson

Registered Office

Twelve Quays
Tower Road, Birkenhead, Wirral CH41 1FE

Bankers

Bank of Ireland
1 Donegall Square South, Belfast BT1 5LR

Auditors

KPMG
Chartered Accountants
Stokes House, College Square East, Belfast, BT1 6DH

Company Number: 00925768

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Report of the Directors

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

Principal Activities

The principal activities of the company are ship owning, operating and management.

Review of the Business

The company owns two ropax vessels, the Liverpool Viking and Dublin Viking. Both vessels have been time chartered to the immediate parent company throughout 2005.

The obligations arising from the Company Voluntary Arrangement ("CVA") approved in December 2003 by the company's creditors have been satisfied. Michael Rollings, Alan Bloom and Shagun Dubey of Ernst & Young as Supervisors of the CVA have circulated a Notice of Termination dated 22 March 2006.

Results for the period

The results for the period are disclosed on page 5.

Dividends

The directors do not recommend the payment of a dividend.

Directors and Directors' Interests

The following were the directors and changes to directors during the year.

	<u>Appointed</u>	<u>Resigned</u>
P.S. Shepherd		
D.G. Sloan		04 November 2005
K. Robdrup	04 November 2005	
T. Woldbye	04 November 2005	
L. Olsen	13 February 2006	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of this company or other group companies.

Political and Charitable Donations

The company made no political or charitable donations during the year.

Auditors

During the year Moore Stephens resigned as auditors of the company and KPMG was appointed in its place. In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company will be proposed at the annual general meeting.

By order of the board



J. Hutchinson

Company Secretary 18 August 2006

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

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.

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 and 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 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.

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



P.S. Shepherd
Director

18 August 2006

**Independent Auditors' Report
to the members of Belfast Freight Ferries Limited**

We have audited the financial statements of Belfast Freight Ferries Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet 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

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005, and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

hmmc
KPMG
Chartered Accountants
Registered Auditor

18/8/06

Stokes House
Belfast
BT1 6DH

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Profit and Loss Account
For the year ended 31 December 2005

	<u>Note</u>	<u>2005</u> £	<u>2004</u> £
Turnover	1	7,868,400	8,547,615
Cost of sales		<u>(7,358,222)</u>	<u>(7,012,492)</u>
Gross Profit		510,178	1,535,123
Reversal of impairment provision		-	6,972,022
Administrative expenses		<u>(92,967)</u>	<u>(240,410)</u>
Operating Profit	2	417,211	8,266,735
Interest receivable and similar income	4	19,733	207
Interest payable and similar charges	5	<u>(277,121)</u>	<u>(1,329,900)</u>
Profit on exchange		43,452	176,338
Profit on Ordinary Activities before Taxation		203,275	7,113,380
Tax on ordinary activities	6	<u>(4,980)</u>	<u>357,532</u>
Retained Profit for the Year	14	<u>198,295</u>	<u>7,470,912</u>

The company has no recognised gains or losses other than those shown above.

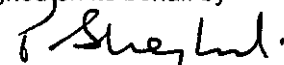
All of the above transactions relate to continuing activities.

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Balance Sheet - 31 December 2005

	<u>Note</u>	<u>2005</u> £	<u>2004</u> £
Fixed Assets			
Tangible assets	7	39,840,863	40,144,768
Current Assets			
Stock	8	61,348	50,866
Debtors	9	1,309,436	920,583
		<u>1,370,784</u>	<u>971,449</u>
Creditors: Amounts falling due within one year	10	<u>(818,860)</u>	<u>(3,906,700)</u>
Net Current Assets/(Liabilities)		<u>551,924</u>	<u>(2,935,251)</u>
Total Assets Less Current Liabilities		<u>40,392,787</u>	<u>37,209,517</u>
Creditors: Amounts falling due after more than one year	11	(35,209,425)	(32,224,450)
Provision for Liabilities and Charges	12	<u>(440,000)</u>	<u>(440,000)</u>
		<u>4,743,362</u>	<u>4,545,067</u>
Capital and Reserves			
Called up share capital	13	100,000	100,000
Profit and loss account	14	4,643,362	4,445,067
Shareholders' Funds	15	<u>4,743,362</u>	<u>4,545,067</u>

The financial statements were approved by the Board on 18 August 2006
and signed on its behalf by


P. S. SHEPHERD

Director

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

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:

- FRS21 'Events after the balance sheet date'; and
- FRS28 'Corresponding' amounts

These accounting policies have had no material effect on the financial statements.

Basis of preparation

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

Turnover

Turnover comprises income arising from charges to third parties and group companies, excluding value added tax. The segmental market serviced is the Irish Sea shipping market.

Fixed assets and depreciation

Fixed assets are stated at cost less provision for impairment. Depreciation is charged on cost less estimated residual values of fixed assets on the straight line method over their effective lives as follows:

Vessels (operating fleet) -	over the remaining useful life of the vessels (maximum 30 years)
Dry-docking costs -	over the anticipated period to the next dry dock

The company reviews the life of its vessels at least once every 5 years.

Taxation

The company entered the UK tonnage tax regime on 1 October 2002 under which its ship owning and operating activities are taxed based on the net tonnage of the ships operated. Any income and profits arising outside the tonnage tax regime are taxed under the normal UK corporation tax rules.

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Notes (forming part of the financial statements)

1. Accounting Policies (continued)

Deferred taxation

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 FRS19.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash Flow Statement

The company is not required under FRS1 to prepare a cash flow statement on the basis that the company is a wholly owned subsidiary and is consolidated within publicly available consolidated financial statements.

2. Operating Profit

The operating profit is stated after charging:

	<u>2005</u> £	<u>2004</u> £
Auditors' remuneration – audit services	3,853	5,600
Depreciation - vessels	1,509,149	1,201,080
- dry-docking	467,500	79,166
	<u>1,979,502</u>	<u>1,285,846</u>

3. Employees

The company had no employees during the year apart from the directors. The directors received no remuneration during the year.

4. Interest Receivable and Similar Income

	<u>2005</u> £	<u>2004</u> £
Bank interest receivable	19,733	207
	<u>19,733</u>	<u>207</u>

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Notes (forming part of the financial statements)

5. Interest Payable and Similar Charges

	<u>2005</u> £	<u>2004</u> £
On bank loans	277,121	1,329,900

6. Taxation

Analysis of charge for the year	<u>2005</u> £	<u>2004</u> £
Tax charge for the year:		
Deferred tax	-	(360,000)
Corporation tax	6,734	4,277
	6,734	(355,723)
Prior year adjustments:		
Corporation tax	(1,754)	(1,809)
	4,980	(357,532)
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	203,275	7,113,380
Current tax at 30% (2004: 30%)	60,983	2,134,014
<i>Effects of:</i>		
Shipping profits not taxable under the Tonnage tax regime	(54,248)	(2,129,737)
Adjustments in respect of previous periods	(1,755)	(1,809)
	4,980	2,468

The company entered the UK Tonnage Tax regime on 1 October 2002. From this date the company has paid a flat rate tax based on the size of its vessels. For this reason, a reconciliation of the current tax charge to the profit in the year has not been provided. The company's deferred tax liability and potential deferred tax asset are disclosed in Note 12.

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Notes (forming part of the financial statements)

7. Fixed Assets

	<u>Vessels</u> £	<u>Dry-docking</u> £	<u>Total</u> £
Cost			
At 1 January 2005	45,831,910	-	45,831,910
Additions	641,744	1,031,000	1,672,744
	<u>46,473,654</u>	<u>1,031,000</u>	<u>47,504,654</u>
At 31 December 2005			
Depreciation			
At 1 January 2005	5,687,142	-	5,687,142
Charge for the period	1,509,149	467,500	1,976,649
	<u>7,196,291</u>	<u>467,500</u>	<u>7,663,791</u>
At 31 December 2005			
Net book value			
At 31 December 2005	39,277,363	563,500	39,840,863
	<u>40,144,768</u>	<u>-</u>	<u>40,144,768</u>
At 1 January 2005			

8. Stocks

	<u>2005</u> £	<u>2004</u> £
Stocks of consumables remaining on board	61,348	50,866

9. Debtors

	<u>2005</u> £	<u>2004</u> £
Other debtors	1,309,436	920,583
	<u>1,309,436</u>	<u>920,583</u>

10. Creditors: amounts falling due within one year

	<u>2005</u> £	<u>2004</u> £
Bank loans	-	3,022,231
Trade creditors	-	135,901
Corporation tax	6,734	4,277
Other creditors	812,126	56,359
Accruals	-	687,932
	<u>818,860</u>	<u>3,906,700</u>

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Notes (forming part of the financial statements)

11. Creditors: Amounts falling due after more than one year

	<u>2005</u> £	<u>2004</u> £
Bank Loans		
Repayable between one and two years	-	3,022,231
Repayable between two and five years	-	5,887,622
	<u>-</u>	<u>8,909,853</u>
Group		
Amount due to other group companies	35,209,425	23,314,597
Total	<u>35,209,425</u>	<u>32,224,450</u>

The amount due to other group companies is unsecured, interest free and has no fixed terms of repayment.

12. Provision for Liabilities and Charges

(a) Deferred taxation liability

	<u>2005</u> £	<u>2004</u> £
At 1 January 2005	440,000	800,000
Profit and loss account (credit)/charge	-	(360,000)
At 31 December 2005	<u>440,000</u>	<u>440,000</u>

The deferred taxation liability relates to a timing difference in relation to a held over gain.

The full potential deferred taxation asset not recognised is as follows:-

	<u>2005</u> £	<u>2004</u> £
Accelerated capital allowances	<u>-</u>	<u>(2,970,000)</u>

13. Share Capital

	<u>2005</u> £	<u>2004</u> £
Authorised		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005

Notes (forming part of the financial statements)

14. Profit and Loss Account

	<u>2005</u> £	<u>2004</u> £
Balance at 1 January 2005	4,445,067	(3,025,845)
Profit for the year	198,295	7,470,912
	<hr/>	<hr/>
Balance at 31 December 2005	<u>4,643,362</u>	<u>4,445,067</u>

15. Reconciliation of Movement in Shareholders Funds/(Deficit)

	<u>2005</u> £	<u>2004</u> £
Profit for the year	198,295	7,470,912
Opening shareholders' funds/(deficit)	4,545,067	(2,925,845)
	<hr/>	<hr/>
Closing shareholders' funds	<u>4,743,362</u>	<u>4,545,067</u>

16. Related Party Disclosures

The Company is controlled by Norse Merchant Ferries Limited which owns 100% of the issued share capital. The ultimate controlling parties are the shareholders of A.P. Møller Mærsk A/S.

The company has relied on the exemption under FRS8 from disclosing transactions with group companies on the basis that the company is a wholly owned subsidiary and is consolidated within publicly available consolidated financial statements

17. Guarantees and Financial Commitments

The company together with other group companies has guaranteed the obligations of a fellow subsidiary under two vessel operating leases.

Capital commitments

At the balance sheet date firm orders had been placed for approximately £720,000 of propulsion equipment for the vessels. This is the commissioned cost of the equipment and will be capitalised since it enhances the performance of the vessel throughout its remaining useful life.

**Belfast Freight Ferries Limited
Directors' report and financial statements
31 December 2005**

Notes (forming part of the financial statements)

18. Parent Company and Ultimate Parent Company

The Company is a subsidiary undertaking of Norse Merchant Ferries Limited, a company incorporated in England & Wales.

The largest group in which the results of the company are consolidated is that headed by A.P. Møller Mærsk A/S, incorporated in Denmark. The consolidated financial statements of this company are available to the public from Esplanaden 50, DK-1098 Copenhagen K, Denmark. The smallest group in which they are consolidated is that headed by Norfolkline B.V., incorporated in the Netherlands. The consolidated financial statements of this company are available to the public at Kranenburgweg 180, 2583 ER, Scheveningen, Netherlands.