



BELFAST FREIGHT FERRIES LIMITED

R E P O R T A N D F I N A N C I A L S T A T E M E N T S

*For the Year Ended
31st December 1997*

C/N 00925768



A03 *ADIP45QT* 547
COMPANIES HOUSE 28/04/98

BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT

Year Ended 31st December 1997

The directors present their report and financial statements for the year ended 31st December 1997.

DIRECTORS

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

M J Gladwyn	(Chairman) (Appointed 22nd April 1997)
A S J Fraser	(Resigned 22nd April 1997)
J K Craig	
R Kimber	
A S Peacock	
T F Wright	
G T D Wilmot	(Resigned 30th June 1997)
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 31st December 1997 or 31st December 1996.

The interests of Mr M J Gladwyn, Mr A S J Fraser, Mr R Kimber and Mr G T D Wilmot in the share capital of Scruttons plc are set out in the accounts of that company.

Options in the ordinary shares of Scruttons plc were held as follows:

	At 1.1.97	At 31.12.97
	<u>No.</u>	<u>No.</u>
J K Craig	5,000	8,000
A S Peacock	10,000	16,000
T F Wright	5,000	9,000

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 year after taxation amounted to £279,722 (1996 - £659,362).

A dividend of £100,000 was paid on 31st December 1997. The directors do not recommend payment of a final 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 1998 but expect to continue to trade in a very competitive environment.

BELFAST FREIGHT FERRIES LIMITED

DIRECTORS' REPORT (continued)
Year Ended 31st December 1997

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.

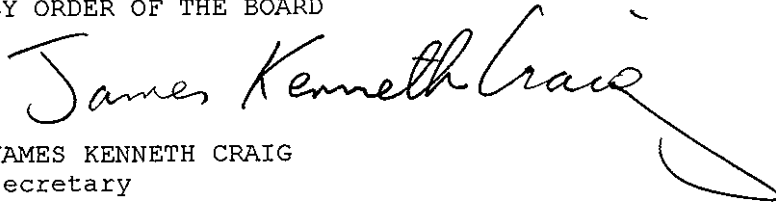
HEALTH & SAFETY AT WORK

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

AUDITORS

Coopers & Lybrand resigned as auditors on 5th January 1998. The directors appointed Moore Stephens as auditors until the next annual general meeting. 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



JAMES KENNETH CRAIG
Secretary

20th April 1998

Registered in England No. 925768

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.

20th April 1998

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.

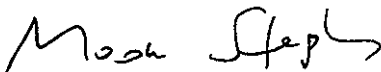
Basis of Opinion

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 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORE STEPHENS
Chartered Accountants and
Registered Auditors
London

20th April 1998

BELFAST FREIGHT FERRIES LIMITED

PROFIT and LOSS ACCOUNT

Year Ended 31st December 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	16,569,958	14,744,902
Costs and overheads	3	(15,169,697)	(13,110,072)
OPERATING PROFIT		1,400,261	1,634,830
Interest	6	(967,441)	(590,771)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		432,820	1,044,059
Taxation on profit on ordinary activities	7	(153,098)	(384,697)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		279,722	659,362
DIVIDEND PAID (£1.00 (1996: £3.32) per share)		(100,000)	(332,000)
RETAINED PROFIT FOR THE YEAR	19	179,722	327,362

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

Year Ended 31st December 1997

	<u>1997</u> £	<u>1996</u> £
Reported profit on ordinary activities before taxation	432,820	1,044,059
Difference between historical cost depreciation and depreciation calculated on the revalued amount	112,963	112,963
Historical cost profit on ordinary activities before taxation	545,783	1,157,022
Historical cost retained profit for the year	292,685	440,325

BELFAST FREIGHT FERRIES LIMITED

BALANCE SHEET

At 31st December 1997

	Note	1997	1996
		£	£
FIXED ASSETS			
Tangible assets	8	13,877,770	15,284,866
CURRENT ASSETS			
Stock	9	296,783	327,596
Debtors	10	3,991,470	4,197,999
Cash at bank and in hand		575,186	-
		4,863,439	4,525,595
Creditors: amounts falling due within one year	11	4,954,094	4,632,970
NET CURRENT LIABILITIES		(90,655)	(107,375)
TOTAL ASSETS LESS CURRENT LIABILITIES		13,787,115	15,177,491
Creditors: amounts falling due after more than one year	12	8,760,949	10,198,903
Provision for liabilities and charges	14	265,526	397,670
		9,026,475	10,596,573
NET ASSETS		4,760,640	4,580,918
CAPITAL AND RESERVES			
Called-up share capital	17	100,000	100,000
Revaluation reserve	19	1,355,365	1,468,328
Profit and loss account	19	3,305,275	3,012,590
EQUITY SHAREHOLDERS' INTEREST	18	4,760,640	4,580,918

Approved by the Board on 20th April 1998

M J Gladwyn)
) Directors
 A S Peacock)

M Gladwyn
A S Peacock

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31st December 1997

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 Scruttons 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, spares, 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)
Year Ended 31st December 1997

1. ACCOUNTING POLICIES (continued)

(f) DRY DOCKING

Dry docking costs are amortised over the period from the date of expenditure to the next planned dry docking. 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.

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

	<u>1997</u> £	<u>1996</u> £
Change in stock	30,813	(156,291)
Raw materials and consumables	1,560,838	1,596,174
Other external charges	7,672,047	7,144,895
Charter of ships	1,967,438	1,488,215
Rental of land and buildings	205,000	280,000
Hire of plant and machinery	6,932	22,188
Staff costs (note 4)	943,381	836,620
Depreciation of tangible fixed assets	1,538,153	1,058,733
Loss on sale of tangible fixed assets	-	575
Other operating charges	1,240,555	831,763
Auditors' remuneration	4,540	7,200
	-----	-----
	15,169,697	13,110,072
	=====	=====

4. STAFF COSTS

	<u>1997</u> £	<u>1996</u> £
(a) Staff costs (including executive directors) comprise:		
Wages and salaries	836,189	708,043
Social security costs	74,323	69,169
Other pension costs (see note 15)	32,869	59,408
	-----	-----
	943,381	836,620
	=====	=====
(b) The average monthly number of employees during the year was as follows:	<u>No.</u>	<u>No.</u>
Office administration and clerical	57	50
	==	==

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

5. DIRECTORS' EMOLUMENTS

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Remuneration	144,736	145,596
Pension provision (see note 15)	13,181	21,223
	-----	-----
	157,917	166,819
	=====	=====

6. INTEREST

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Payable:		
On bank overdraft and loans from parent undertaking	105,741	18,930
Bank loan not wholly repayable within five years	21,361	36,154
On finance leases not wholly repayable within five years	854,252	569,372
	-----	-----
	981,354	624,456
Receivable	13,913	33,685
	-----	-----
	967,441	590,771
	=====	=====

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year comprises:-

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
UK corporation tax at 31.5% (1996 - 33%)	300,000	505,000
Adjustment relating to previous year	(20,902)	(24,303)
Transfer from deferred taxation	(109,000)	(96,000)
Deferred taxation credit resulting from change in tax rate	(17,000)	-
	-----	-----
	153,098	384,697
	=====	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

8. TANGIBLE FIXED ASSETS

	Owned Ship £	Assets under Finance Lease £	Assets on Leased Ships £	Plant & Machinery £	Total £
a) Movements in year					
COST OR VALUATION					
At 31st December 1996	2,120,376	14,280,396	517,383	663,216	17,581,371
Additions	-	46,503	-	84,954	131,457
Disposals	-	-	-	(400)	(400)
At 31st December 1997	<u>2,120,376</u>	<u>14,326,899</u>	<u>517,383</u>	<u>747,770</u>	<u>17,712,428</u>
DEPRECIATION					
At 31st December 1996	561,480	945,610	381,160	408,255	2,296,505
Provision	282,000	1,038,700	109,080	108,373	1,538,153
Relating to disposals	-	-	-	-	-
At 31st December 1997	<u>843,480</u>	<u>1,984,310</u>	<u>490,240</u>	<u>516,628</u>	<u>3,834,658</u>
NET BOOK VALUE					
At 31st December 1997	<u>1,276,896</u>	<u>12,342,589</u>	<u>27,143</u>	<u>231,142</u>	<u>13,877,770</u>
At 31st December 1996	<u>1,580,896</u>	<u>13,334,786</u>	<u>136,223</u>	<u>254,961</u>	<u>15,284,866</u>
b) Cost or valuation comprises:					
Cost	3,980	9,326,899	517,383	747,770	10,596,032
Valuation in 1994	2,116,396	5,000,000	-	-	7,116,396
	<u>2,120,376</u>	<u>14,326,899</u>	<u>517,383</u>	<u>747,770</u>	<u>17,712,428</u>

9. STOCK

	<u>1997</u> £	<u>1996</u> £
Fuel	72,547	79,497
Spares and lubricants	194,538	226,189
Provisions	29,698	21,910
	<u>296,783</u>	<u>327,596</u>

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

10. DEBTORS

	<u>1997</u>	<u>1996</u>
	£	£
Due within one year:		
Trade debtors	3,178,923	3,126,636
Other debtors	229,287	200,540
Prepayments	583,260	870,823
	-----	-----
	3,991,470	4,197,999
	=====	=====

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u>	<u>1996</u>
	£	£
Bank overdraft	-	70,583
Current portion of long term loan	196,150	196,150
Finance lease	1,277,911	1,164,558
Trade creditors	1,219,232	1,304,332
Other taxes	473,823	448,107
Corporate taxation	300,000	505,000
Amounts owed to group undertakings	1,305,985	835,070
Accruals	180,993	109,170
	-----	-----
	4,954,094	4,632,970
	=====	=====

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

	<u>1997</u>	<u>1996</u>
	£	£
Bank loan	-	196,150
Finance lease	8,760,949	10,002,753
	-----	-----
	8,760,949	10,198,903
	=====	=====

The bank loan is repayable in 17 equal half-yearly instalments and bears interest at 7.5% per annum as follows:-

Less than 1 year	196,150	196,150
1 - 2 years	-	196,150
	-----	-----
	196,150	392,300
	=====	=====

The interest rate and repayment of the bank loan have been guaranteed by the Department of Trade and Industry under Section 10 of the Industry Act 1972 (as amended).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

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

The future lease payments to which the company is committed at 31st December 1997 include finance charges allocated to future periods as follows:

	<u>1997</u> £	<u>1996</u> £
Less than 1 year	2,013,122	1,985,756
1 - 2 years	2,023,117	1,995,555
2 - 5 years	6,127,945	6,087,072
Over 5 years	2,640,119	4,680,977
	-----	-----
	12,804,303	14,749,360
Finance charges allocated to future periods	2,765,443	(3,582,049)
	-----	-----
	10,038,860	11,167,311
	=====	=====
Amounts falling due within one year	1,277,911	1,164,558
Amounts falling due after more than one year	8,760,949	10,002,753
	-----	-----
	10,038,860	11,167,311
	=====	=====

13. OPERATING LEASES

The future operating lease payments which the company is committed to make during the next year, at 31st December 1997, are as follows:-

	£
(a) Ship under time charter	
Expiring - less than one year	1,745,000
(b) Land and buildings	
Expiring - over five years	205,000
	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

14. PROVISION FOR LIABILITIES AND CHARGES

	<u>1997</u> £	<u>1996</u> £
Deferred Taxation		
Capital allowances	350,000	500,000
Other timing differences	(193,000)	(217,000)
	-----	-----
	157,000	283,000
Pension provision (see note 15)	108,526	114,670
	-----	-----
	265,526	397,670
	=====	=====

The liability for deferred taxation provided in the financial statements is computed at a rate of taxation of 31% (1996 - 33%).

Potential liabilities for deferred taxation not provided in the accounts computed at 31% (1996 - 33%) comprise:

	<u>1997</u> £	<u>1996</u> £
On revaluation of ships	420,000	485,000
	=====	=====

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 financial statements of Scruttons plc, the ultimate parent undertaking, include details of the results 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 year ended 31st December 1997 was £32,869 (1996 - £59,408).

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31st December 1997

16. SECURED LIABILITIES

- a) 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 parent undertaking.
- b) The bank overdraft and bank guarantee (see (d) below) are secured by a fixed and floating charge over the company's assets together with a guarantee from the ultimate parent undertaking of up to £1,765,000.
- c) The loan in note 12 is secured by a first fixed charge on the ship in favour of the Secretary of State for Trade and Industry and a second fixed charge in favour of the bank. The ultimate parent undertaking has given the bank a guarantee for this loan.
- d) 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

	<u>1997</u> £	<u>1996</u> £
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

	<u>1997</u> £	<u>1996</u> £
Profit for year	279,722	659,362
Dividends	(100,000)	(332,000)
	-----	-----
	179,722	327,362
Opening shareholders' funds	4,580,918	4,253,556
	-----	-----
Closing shareholders' funds	4,760,640	4,580,918
	=====	=====

BELFAST FREIGHT FERRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31st December 1997

19. RESERVES

	Revaluation Reserve £	Profit & Loss Account £
At 1st January 1997	1,468,328	3,012,590
Retained profit for the year	-	179,722
Reclassification of ships revaluation depreciation	(112,963)	112,963
	-----	-----
At 31st December 1997	1,355,365	3,305,275
	=====	=====

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

20. ULTIMATE PARENT UNDERTAKING

Scruttons plc, which is registered in England and Wales, was regarded by the directors as being the company's ultimate parent undertaking.

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

On 17th December 1997 Cenargo Fast Ferries (No. 2) PLC, a wholly-owned subsidiary of Cenargo International Limited, made recommended offers to purchase the entire share capital of Scruttons plc. The offers were declared unconditional on 2nd February 1998. Accordingly, from that date, Cenargo International Limited is regarded by the directors as being the company's ultimate holding company.