

Registered no. 4165720

**CPS Number 2 Limited**

**Financial Statements**

**31 December 2005**





# **CPS Number 2 Limited**

## **Director's report for the year ended 31<sup>st</sup> December 2005**

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

### **Principal activities**

During July and August 2005, the Company purchased five vessels from its affiliate CPS Number 1 Limited. The transactions took place at arms-length terms. Consideration was settled in cash, which was funded by an interest free loan from the Company's parent, CP Ships (UK) Limited.

### **Change of ultimate parent**

On the 25<sup>th</sup> October 2005, TUI AG, a company incorporated in Germany, acquired 89.1% of CP Ships Limited share capital, and became the ultimate parent company. Subsequently, TUI AG acquired the remaining share capital of CP Ships Limited, and became 100% shareholder.

### **Review of the business and future developments**

In 2005 the Company chartered five vessels to its parent company CP Ships (UK) Limited.

As part of a restructuring by TUI AG of its shipping interests following the acquisition of the CP Ships group, the assets of CP Ships Number 2 Limited have been integrated into Hapag Lloyd during the first half of 2006 and the Company will subsequently become dormant.

### **Results and dividends**

The company's retained profit for the financial year transferred to reserves, amounted to \$20,373,000 (2004: loss of \$8,000 transferred from reserves). The Company has not paid or proposed a dividend.

### **Changes in Accounting Policy**

The company has adopted FRS 17, 'Retirement benefits', FRS 21 'Events after the balance sheet date', and FRS 25 'Financial instruments: disclosure and presentation'. The adoption of these standards represents a change in accounting policy, however, there is no impact of this change on the financial statements.

### **Directors and their interests**

The directors who held office during the year and subsequently, are given below:

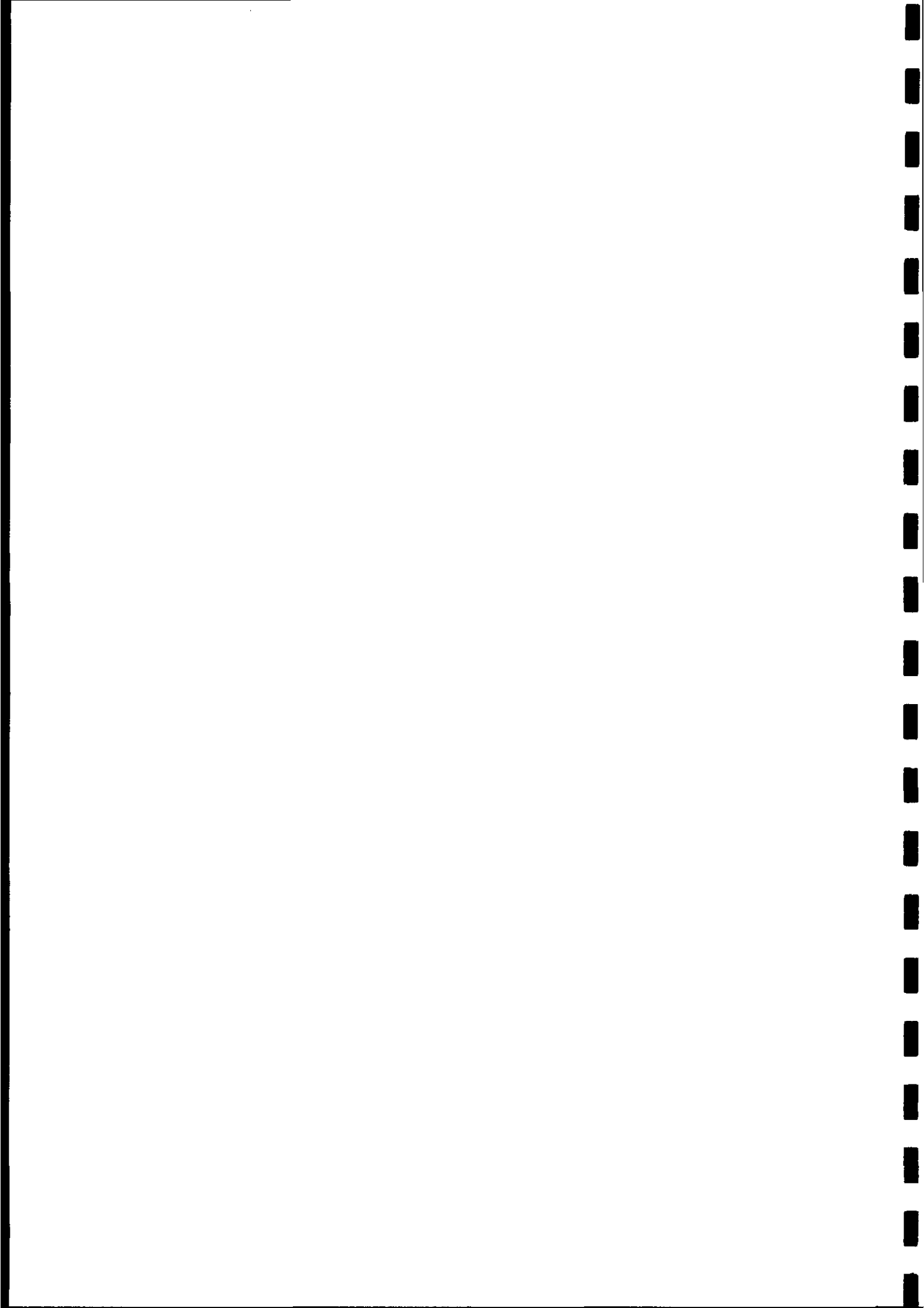
D R Nicklin	(resigned 19 January 2005 and re-appointed 31 January 2006)
I W Torrens	(resigned 19 January 2005)
K.J. Walding	(appointed 19 January 2005 and resigned 31 January 2006)
A. Boylan	(appointed 1 June 2005 and resigned 31 January 2006)
G. Hards	(appointed 1 June 2005 and resigned 31 January 2006)
U Kranich	(appointed 31 January 2006)

The directors had no interest in the share capital of the company.

Under the exemption offered by SI 85/802 for directors' interests in companies incorporated outside the United Kingdom, the directors of CPS Number 2 Limited have not disclosed their interests in either the former ultimate parent company, CP Ships Limited, or the current ultimate parent company, TUI AG (see Note 13).

### **Directors' Indemnity**

A qualifying third party indemnity provision, as defined by the Companies Act 1985 (revised 2004), was in force for the benefit of the directors during the financial year.



## **CPS Number 2 Limited**

### **Director's report for the year ended 31<sup>st</sup> December 2005**

#### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:


- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that 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 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**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



**David Nicklin - Director**

4th September 2006

2 City Place,  
Beehive Ring Road,  
Gatwick,  
West Sussex RH6 0PA



## CPS Number 2 Limited

### Independent auditor's report to the members of CPS Number 2 Limited

We have audited the financial statements of CPS Number 2 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.

#### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

*PricewaterhouseCoopers*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
4<sup>th</sup> September 2006





## CPS Number 2 Limited

### Profit and Loss Accounts

(Unless otherwise indicated, all amounts are expressed in US\$ thousands)

	Year ended 31 December 2005	Year ended 31 December 2004
<b>Turnover (note 3)</b>		
Charter revenue	28,466	-
Administrative expenses	(12)	(8)
Deferred dry dock amortization (note 4)	(133)	-
Depreciation (note 7)	(7,910)	-
<b>Operating profit/(loss) (note 5)</b>	<b>20,411</b>	<b>(8)</b>
Taxation on ordinary activities (note 6)	(38)	-
<b>Profit/(loss) for the financial year</b>	<b>20,373</b>	<b>(8)</b>

The company has no recognised gains and losses other than the profits shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 10 form part of these financial statements.

## CPS Number 2 Limited

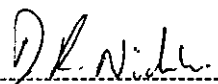
### Balance Sheets

(Unless otherwise indicated, all amounts are expressed in US\$ thousands)

	As at 31 December 2005	As at 31 December 2004
<b>Fixed Assets</b>		
Tangible assets (note 7)	408,090	-
<b>Current Assets</b>		
Debtors (note 8)	28,767	303
Deferred charges (note 4)	929	-
	29,696	303
<b>Current Liabilities</b>		
Creditors: amounts falling due within one year (note 9)	(1,133)	(23)
<b>Net current assets</b>	28,563	280
Creditors: amounts falling due after more than 1 year (note 10)	(416,000)	-
<b>Net Assets</b>	20,653	280
<b>Capital and Reserves</b>		
Called up share capital (note 11)	-	-
Profit and loss account (note 12)	20,653	280
<b>Equity Shareholders' Funds</b>	20,653	280

The notes on pages 6 to 10 form part of these financial statements.

Approved by the Board of Directors on 4<sup>th</sup> September 2006

  
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David Nicklin - Director

# CPS Number 2 Limited

## Notes to the Financial Statements

(Unless otherwise indicated, all amounts are shown in US\$ thousands)

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards in the United Kingdom on the historical cost basis, and the reported profit therefore represents the underlying historical cost profits without need for any adjustment. The company has complied with all Financial Reporting Standards issued by the Accounting Standards Board from their effective dates. The principal accounting policies are set out below.

#### Changes in accounting policies

The company has adopted FRS 17, 'Retirement benefits', FRS 21 'Events after the balance sheet date', and FRS 25 'Financial instruments: disclosure and presentation'. The adoption of these standards represents a change in accounting policy.

There was no effect from adopting FRS 17, FRS 21 and FRS 25.

#### Revenue and cost recognition

Revenue and costs from ship charter operations are accounted for on an accrual basis.

#### Use of estimates

The preparation of financial statements requires that management make estimates in reporting the amounts of certain revenues and expenses for each financial year and certain assets and liabilities at the end of each financial year. Actual results may differ from these estimates.

#### Deferred charges

Deferred charges include deferred dry-docking costs. Dry-docking and special survey costs are deferred and amortized over the dry docking cycle, typically between two and five years. Any unamortized cost is written off on the disposal of the relevant ship.

#### Fixed assets

Fixed assets are stated at cost or fair value less depreciation.

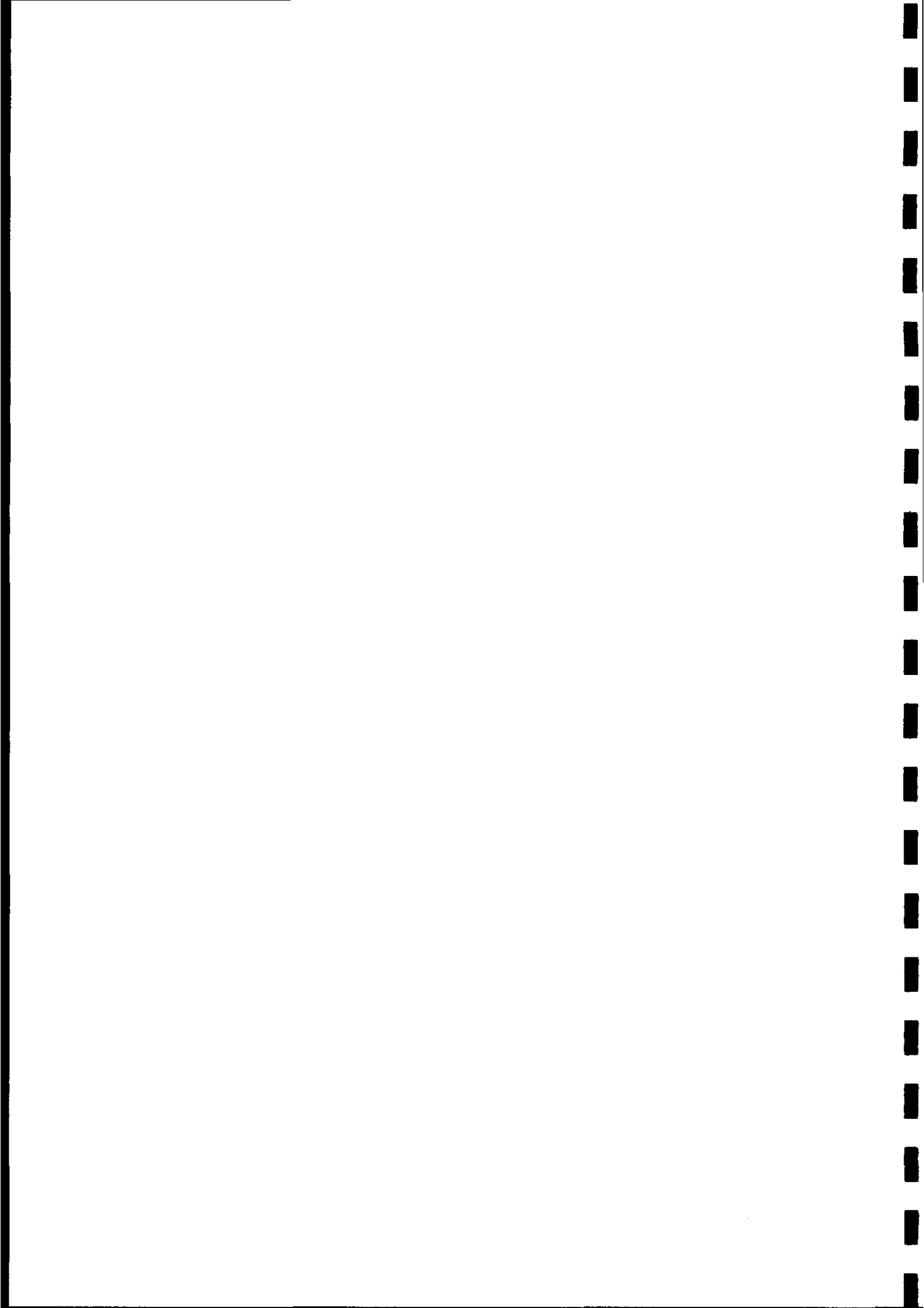
Depreciation on ships is calculated on a straight-line basis, at rates to reduce the book value of each ship to its estimated residual value by the end of its estimated useful life, which is considered to be 25 years. Reviews are made periodically of the estimated remaining lives of ships taking into account commercial and technological obsolescence as well as normal wear and tear. The total useful economic life of a ship is approximately 25 years.

Major additions, replacements and capital improvements to ships are depreciated over the estimated remaining useful life of the ship.

When depreciable assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and the remaining balance, net of any proceeds from sale or salvage value, is reflected in the results from operations.

#### Foreign currency translation

Revenue and expense items and other transactions denominated in non US\$ currencies are recorded in US\$, which is the company's functional currency, at the exchange rates in effect on the dates of the related transactions. Monetary assets and liabilities denominated in non US\$ currencies are translated into US\$ at the year-end rates of exchange. Foreign currency gains and losses arising from realization or re-measurement of non-US\$ currency denominated monetary assets and liabilities are recognized in the profit and loss account as incurred.



## CPS Number 2 Limited

### Notes to the Financial Statements

(Unless otherwise indicated, all amounts are shown in US\$ thousands)

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Taxation

The activities of the company fell within the UK tonnage tax regime whereby corporation tax is provided based on the tonnage of the ships operated rather than profits earned.

#### 2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of CP Ships (UK) Limited, a UK company, and is included in the consolidated financial statements of its ultimate parent company TUI AG, a German company, whose financial statements are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the TUI AG group or investees of the TUI AG group.

#### 3. TURNOVER

Turnover relates to earnings from charter hire received and receivable from chartering out ships which are owned, to CP Ships (UK) Limited an affiliated company.

#### 4. DEFERRED CHARGES

Unamortized deferred charges of \$929 (2004: nil) related to dry-docking and special survey costs. These costs are amortized evenly over the dry-docking cycle, typically between two and five years. The amortization in 2005 was \$134 (2004: nil).

#### 5. OPERATING PROFIT

	2005	2004
Operating profit is stated after charging:		
Audit fees	12	8
Depreciation of owned tangible fixed assets (note 7)	7,910	-

Directors Emoluments - none of the directors received any remuneration from the company.

Employees - the average number of persons employed by the company during the year was nil (2004: nil). No staff costs were paid.

## CPS Number 2 Limited

### Notes to the Financial Statements

(Unless otherwise indicated, all amounts are shown in US\$ thousands)

#### 6. TAX ON ORDINARY ACTIVITIES

##### Tax Charge

	2005	2004
Corporation tax for the period	38	-

Following the purchase of 5 ships during the year, the activities of the company fell wholly within the UK tonnage tax regime whereby the tax charge is based upon the tonnage of the ships operated, rather than the profits earned. Therefore the tax assessment for 2005 is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

In 2004, the Company did not carry out qualifying shipping activities and therefore did not qualify under the UK tonnage tax regime. Thus the tax returns for 2004 were prepared under UK corporation tax rules.

	2005	2004
Profit/(loss) on ordinary activity before tax	20,411	(8)
Profit/(loss) multiplied by standard rate of UK Corporation tax (30%)	6,123	(2)
Profit not taxable under tonnage tax regime	(6,085)	-
Tax loss not recognised	-	2
Tax charge for the period	38	-

#### 7. TANGIBLE FIXED ASSETS

Cost	Ships US\$'000
At 1 January 2005	-
Transfer from group company	416,000
Additions	-
At 31 December 2005	416,000
<b>Depreciation</b>	
At 1 January 2005	-
Charge for the year	7,910
At 31 December 2005	7,910
<b>Net Book Value</b>	
At 31 December 2005	408,090
At 31 December 2004	-

## CPS Number 2 Limited

### Notes to the Financial Statements

(Unless otherwise indicated, all amounts are shown in US\$ thousands)

#### 8. DEBTORS

	2005	2004
Amounts owed by affiliates	28,767	303

#### 9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
Amounts owed to fellow subsidiaries	1,079	16
Accruals	19	7
Taxation	35	-
Total creditors	1,133	23

Refer to note 16 for the subsequent settlement of this inter-group creditor.

#### 10. CREDITORS – LOAN FROM AFFILIATED COMPANY

	2005	2004
Amounts falling due within one year:		
Amounts due to fellow group undertakings	416,000	-

The amounts due to fellow subsidiaries represent amounts loaned to the Company by its immediate parent undertaking, CP Ships (UK) Ltd, in respect of the acquisition of ships.

During August 2005, the Company renegotiated the terms of its revolving credit facility entering into a new revolving credit facility for \$425 million with its parent company CP Ships (UK) Limited. The new facility is available until 31 December 2006 or earlier on demand by the lender and is unsecured and interest free. As at 31 December 2005, the company had borrowed \$416 million against this facility.

Refer to note 16 for the subsequent settlement of this inter-group creditor.

#### 11. SHARE CAPITAL

	2005	2004
Authorised		
100 Ordinary shares of £1 each	-	-
Allotted, called up and paid		
1 Ordinary share of £1 each	-	-

## CPS Number 2 Limited

### Notes to the Financial Statements

(Unless otherwise indicated, all amounts are shown in US\$ thousands)

#### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
Share capital	-	-
Profit and loss account	20,373	(8)
Net addition to Shareholders' funds	20,373	(8)
Opening Shareholders' funds	280	288
Closing Shareholders' funds	20,653	280

#### 13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of CP Ships (UK) Limited.

From the 25<sup>th</sup> October 2005, the ultimate parent company and ultimate controlling party is TUI AG a company incorporated in Germany. The group accounts of TUI AG are available from Kael-Wiechert-Allee 4, D-30625, Hanover, Germany.

Before the 25<sup>th</sup> October 2005 the ultimate parent company and ultimate controlling party was CP Ships Limited, a company incorporated and registered in Canada.

#### 14. GUARANTEE

In 2004, the Company and CPS Number 1 Limited, an affiliated company, agreed a \$525 million multicurrency revolving credit facility ("525 million facility"). The facility was secured by first priority mortgages on 25 ships and certain related collateral. This facility remained undrawn throughout 2005.

On 7<sup>th</sup> November 2005, the Company and CPS Number 1 Limited formally gave notice to ING Bank N.V. to cancel the US\$525 million multicurrency revolving credit facility with the bank. The loan facility was subsequently cancelled on 14<sup>th</sup> November 2005. All the security held by the bank has been released.

#### 15. CAPITAL COMMITMENTS

The company had no capital commitments at 31st December 2005.

#### 16. SUBSEQUENT EVENTS

In June 2006, the Company sold all its vessels to TUI Beteiligungs Gmbh, an affiliated company, as part of a restructuring by TUI AG of its shipping interests. The transactions were negotiated at arms length and were commercially effective from 1 April 2006. The consideration has been settled in cash, which has been used to settle borrowings under the \$425 million credit facility granted by the Company's parent, CP Ships (UK) Limited.



