

**Registered no. 4165720**

**CPS Number 2 Limited**

**Financial Statements**

**31 December 2006**

**SATURDAY**



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**14/07/2007**

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**COMPANIES HOUSE**

## **CPS Number 2 Limited**

### **Director's report for the year ended 31<sup>st</sup> December 2006**

The Directors present their report and the audited financial statements for the year ended 31 December 2006

#### **Business review and principal activities**

CP Ships Number 2 Limited "the company" operates and charters vessels to other group companies. In 2006 the Company chartered five vessels to its parent company CP Ships (UK) Limited

The results for the company show a retained loss for the financial year deducted from reserves, amounted to \$93,595,000 (2005 profit of \$20,373,000 transferred to reserves). The Company has not paid or proposed a dividend

The company has net liabilities of \$72,942,000 (2005 net assets \$20,653,000)

The company does not undertake any research and development activities

#### **Future outlook**

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 were transferred into Hapag Lloyd in June 2006 and the Company has subsequently become dormant

#### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of CP Ships (UK) Limited, which include those of the company, are discussed within the parents annual report which does not form part of this report

#### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

#### **Directors and their interests**

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

K J Walding	(resigned 31 January 2006)
A Boylan	(resigned 31 January 2006)
G Hards	(resigned 31 January 2006)
U Kranich	(appointed 31 January 2006)
D R Nicklin	(appointed 31 January 2006, resigned 26 March 2007)
M Reeve	(appointed 26 March 2007)

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 2006

#### 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.

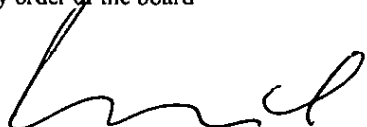
#### Auditors

In accordance with Section 463 of the United Kingdom Companies Act 2006, the directors' responsibility for the directors' report, which responsibility shall be governed by English law, shall only be owed to the company (to the extent envisaged in Section 463) and not to any other person.

To the best of each director's knowledge and belief, and having made appropriate enquiries of other officers of the company, all information relevant to enabling the auditors to provide their opinions on the company's accounts has been provided. Each of the directors has taken all reasonable steps to ensure their awareness of any relevant audit information and to establish that the company's auditors are aware of such information.

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



Director

3<sup>rd</sup> Mar

2007

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 2006, 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

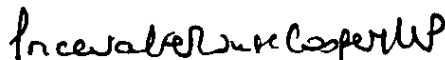
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
3<sup>rd</sup> May 2007

## CPS Number 2 Limited

### Profit and Loss Account

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

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Turnover (note 3)</b>		
Charter revenue	15,750	28,466
Administrative expenses	(11)	(12)
Deferred dry dock amortization (note 4)	(3,610)	(133)
Depreciation (note 7)	(3,577)	(7,910)
<b>Operating profit (note 5)</b>	<b>8,552</b>	<b>20,411</b>
<b>Exceptional Items</b>		
Loss on disposal of assets	(102,127)	-
<b>Operating profit/(loss) on ordinary activities before taxation</b>	<b>(93,575)</b>	<b>20,411</b>
Taxation on ordinary activities (note 6)	(20)	(38)
<b>Profit/(loss) for the financial year</b>	<b>(93,595)</b>	<b>20,373</b>

All profits are derived from continuing activities. The company has no recognised gains and losses other than the results 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

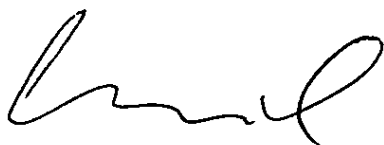
### Balance Sheet

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

	As at 31 December 2006	As at 31 December 2005
<b>Fixed Assets</b>		
Tangible assets (note 7)	-	408,090
<b>Current Assets</b>		
Debtors (note 8)	18	28,767
Deferred charges (note 4)	-	929
	18	29,696
<b>Current Liabilities</b>		
Creditors amounts falling due within one year (note 9)	(12)	(1,133)
<b>Net current assets</b>	-	28,563
Creditors amounts falling due after more than 1 year (note 10)	(72,948)	(416,000)
<b>Net Assets</b>	(72,942)	20,653
<b>Capital and Reserves</b>		
Called up share capital (note 11)	-	-
Profit and loss account	(72,942)	20,653
<b>Equity Shareholders' Funds (note 12)</b>	(72,942)	20,653

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

Approved by the Board of Directors on 3<sup>rd</sup> May 2007



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.

#### **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.

#### **Taxation**

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

## CPS Number 2 Limited

### Notes to the Financial Statements

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

#### 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

As at 31 December 2006, deferred charges were nil, following the sale of all the vessels owned by the Company (2005 \$929). Deferred charges comprise un-amortized deferred dry-dock costs and special survey costs. These costs are amortized evenly over the dry-docking cycle, typically between two and five years.

The amortization in 2006 was \$3,610 (2005 \$133). This includes a charge of \$3,521 following the periodic review of the estimated remaining lives of the ships as required by FRS 15.

Disposals during the year amounted to \$1,633.

#### 5. OPERATING PROFIT

	2006	2005
Operating profit is stated after charging:		
Audit fees	12	12
Depreciation of owned tangible fixed assets (note 7)	3,577	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 (2005 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

	2006	2005
Corporation tax for the period	20	38

Following the purchase of 5 ships during 2005, 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 and 2006 is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006	2005
Profit/(loss) on ordinary activity before tax	(93,575)	20,411
Profit/(loss) multiplied by standard rate of UK Corporation tax (30%)	(28,073)	6,123
Profit not taxable under tonnage tax regime	-	(6,085)
Expenses not deductible under the tonnage tax regime	(28,073)	-
UK tonnage tax charge	20	-
Tax charge for the period	20	38

#### 7. TANGIBLE FIXED ASSETS

	Ships US\$'000
<b>Cost</b>	
At 1 January 2006	416,000
Additions	226
Reclassification to deferred charges	(4,314)
Disposals	(411,912)
At 31 December 2006	-
<b>Depreciation</b>	
At 1 January 2006	7,910
Charge for the year	3,577
Disposals	(11,487)
At 31 December 2006	-
<b>Net Book Value</b>	
At 31 December 2006	-
At 31 December 2005	408,090

Overall the Company is showing a depreciation charge of \$3,577 in the profit and loss for 2006. This includes a reduced charge to depreciation for the year of \$1,358, due to the revaluation of vessel scrap values as required by FRS 15 'Tangible Fixed Assets'.

## CPS Number 2 Limited

### Notes to the Financial Statements

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

In addition under FRS 15, initial vessel dry dock costs of \$4,314 have been transferred to deferred charges

#### 8. DEBTORS

	2006	2005
Amounts owed by affiliates	4	28,767
Taxation	14	-
	18	28,767

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

	2006	2005
Amounts owed to fellow subsidiaries	-	1,079
Accruals	12	19
Taxation	-	35
Total creditors	12	1,133

#### 10 CREDITORS - LOAN FROM AFFILIATED COMPANY

	2006	2005
Amounts falling due within one year		
Amounts due to fellow group undertakings	72,948	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 2006, the company had borrowed \$72,948 against this facility (2005 \$416 million)

#### 11 SHARE CAPITAL

	2006	2005
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

	2006	2005
Share capital	-	-
Profit and loss account	(93,595)	20,373
Net addition to Shareholders' funds	(93,595)	20,373
Opening Shareholders' funds	20,653	280
Closing Shareholders' funds	(72,942)	20,653

#### 13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

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

#### 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 2006.

#### 16. VESSEL SALES

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 a proportion of the borrowings under the \$425 million credit facility granted by the Company's parent, CP Ships (UK) Limited.