

Registered no. 4165720

**CPS Number 2 Limited**

**Financial Statements**

**31 December 2002**



## **CPS Number 2 Limited**

### **Directors' report for the period ended 31 December 2002**

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

#### **Principal activities**

During the year, the company owned a container ship, which was chartered out to a fellow subsidiary in the CP Ships Limited group.

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

The company's performance was satisfactory in 2002. During the year, the company sold its ship at its book value to a fellow subsidiary company. At 31 December 2002 the company owned no ships.

#### **Results and dividends**

The company's retained profit for the financial period amounted to US\$264,000 which has been transferred to reserves.

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

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

I J Webber	(resigned 18 July 2002)
D R Nicklin	(appointed 1 October 2001)
I W Torrens	(appointed 18 July 2002)

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

#### **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 its profit or loss for that period. In preparing those financial statements, the directors are required to:

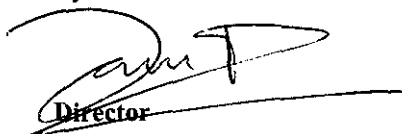
- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company 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 its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



Director

# **CPS Number 2 Limited**

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

We have audited the financial statements which comprise profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members 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 in to 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report and the operating and financial review.

### **Basis of audit 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 the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

29<sup>th</sup> April 2003

## CPS Number 2 Limited

### Profit and Loss Account for the year ended 31 December 2002 (US\$ thousands)

	Year ended 31 December 2002 US\$	Ten month Period ended 31 December 2001 US\$
<b>Turnover</b>		
Charter revenue (note 3)	3,659	1,322
Administrative expenses	(3,383)	(1,277)
<b>Operating profit (note 4)</b>	<b>276</b>	<b>45</b>
Interest receivable and similar income	-	-
Interest payable and similar charges	-	-
<b>Profit on ordinary activities before taxation</b>	<b>276</b>	<b>45</b>
Taxation on ordinary activities (note 5)	(12)	(5)
<b>Profit for the financial year</b>	<b>\$264</b>	<b>\$40</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.

#### Note of historical cost profits and losses

The reported profit for the period is stated under the historical cost convention and therefore represents the underlying historical cost profit without need for any adjustment.

The notes on pages 5 to 8 form part of these financial statements.

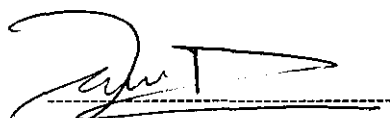
## CPS Number 2 Limited

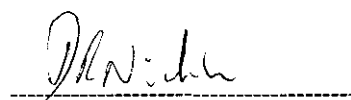
### Balance Sheet (US\$ thousands)

	As at 31 December 2002 US\$	As at 31 December 2001 US\$
<b>Fixed Assets</b>		
Tangible Assets (note 6)	-	17,223
<b>Current Assets</b>		
Debtors (note 7)	332	-
<b>Current Liabilities</b>		
Creditors: amounts falling due within one year (note 8)	(28)	(17,183)
<b>Net current assets/(liabilities)</b>	<b>304</b>	<b>(17,183)</b>
<b>Total assets less current liabilities</b>	<b>304</b>	<b>40</b>
<b>Net Assets</b>	<b>\$304</b>	<b>\$40</b>
<b>Capital and Reserves</b>		
Called up share capital (note 9)	-	-
Profit and loss account	304	40
<b>Shareholders' Funds</b>	<b>\$304</b>	<b>\$40</b>

The notes on pages 5 to 8 form part of these financial statements.

Approved by the Board of Directors on 29<sup>th</sup> April 2003

  
Director

  
Director

# **CPS Number 2 Limited**

## **Notes to the Financial Statements** (US\$ thousands)

### **1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom on the historic cost basis. The company has complied with all Financial Reporting Standards issued by the Accounting Standards Board from their effective dates.

#### **Changes in accounting policies**

In November and December 2000 the Accounting Standards Board issued FRS 19 – Deferred Tax and FRS 17 – Retirement Benefits.

The company has adopted FRS 19 and FRS 17 for the first time in these financial statements.

The adoption of these new standards had no impact on the financial statements.

#### **Revenue and cost recognition**

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

#### **Capital assets**

Capital assets are stated at cost 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 in the company's business. The estimated useful life of a ship is calculated as the remaining period of a 25 year life.

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

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

#### **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.

#### **Taxation**

The activities of the company fell within the UK tonnage tax regime whereby corporation tax is provided based the tonnage of the ships operated rather than profits earned. Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefit is uncertain.

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

The company is a wholly owned subsidiary of CP Ships (UK) Limited and is included in the consolidated financial statements of its ultimate parent company CP Ships Limited which 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 CP Ships Limited Group.

## CPS Number 2 Limited

### Notes to the Financial Statements

(US\$ thousands)

#### 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. OPERATING PROFIT

	2002	2001
Operating profit is stated after charging:	US\$'000	US\$'000
Depreciation of owned tangible fixed assets	1,733	666

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. No staff costs were paid.

Audit fees are paid by the parent company, CP Ships (UK) Limited.

#### 5. TAX ON ORDINARY ACTIVITIES

##### Tax Charge

	2002	2001
	US\$'000	US\$'000
Corporation tax for the period	12	5

The activities of the company during the period 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. The tax assessment for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	US\$'000	US\$'000
Profit on ordinary activity before tax	276	45
Profits multiplied by standard rate of UK corporation tax (30%)	83	14
Profits not taxable under tonnage tax regime	(71)	(9)
Tax charge for the period	12	5

# CPS Number 2 Limited

## Notes to the Financial Statements (US\$ thousands)

### 6. TANGIBLE FIXED ASSETS

	Ships US\$'000
<b>Cost</b>	
At 1 January 2002	17,889
Additions	60
Transfer to group company	(17,949)
At 31 December 2002	-
<b>Depreciation</b>	
At 1 January 2002	666
Charge for the period	1,733
Transfer to group company	(2,399)
At 31 December 2002	-
<b>Net Book Value</b>	
At 31 December 2002	-
At 31 December 2001	17,223

### 7. DEBTORS

	31 December 2002 US\$'000	31 December 2001 US\$'000
Amounts owed by affiliates	332	-

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

	31 December 2002 US\$'000	31 December 2001 US\$'000
Amounts owed to fellow subsidiaries	20	17,178
Taxation	8	5
Total creditors	28	17,183

### 9. SHARE CAPITAL

	31 December 2002 US\$'000	31 December 2001 US\$'000
<b>Authorised</b>		
100 Ordinary shares of £1 each	-	-
<b>Allotted, called up and paid</b>		
1 Ordinary share of £1 each	-	-

## CPS Number 2 Limited

### Notes to the Financial Statements (US\$ thousands)

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

	31 December 2002 US\$'000	31 December 2001 US\$'000
Share capital	-	-
Profit and loss account	264	40
Net addition to Shareholders' funds	264	40
Opening Shareholders' funds	40	-
Closing Shareholders' funds	304	40

#### 11. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is CP Ships (UK) Limited. The ultimate parent undertaking and controlling party is CP Ships Limited incorporated in New Brunswick, Canada, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of CP Ships Limited consolidated financial statements can be obtained from its registered office: Brunswick House, 44 Chipman Hill, St John, New Brunswick, Canada E2L 4Z6

#### 12. GUARANTEE

The company and CPS Number 1 Limited, a fellow subsidiary, are jointly and severally liable for a \$175 million bank loan, which represents amounts drawn by CPS Number 1 Limited on a \$175 million revolving credit facility that is committed to August 2005 with a \$50 million step down in August 2004. The facility is secured by certain owned ships and bears interest at a margin over LIBOR which depends on the facility's credit rating. As at 31 December 2002 the margin was 1.05%.