

**Stena Explorer Limited**  
*(formerly Melville Street Leasing (Edinburgh) Limited)*

**Directors' report and financial statements**

**For the period from 8 December 2003 to 31 December 2004**

**Company number SC 059678**



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## **Report of the Directors**

The Directors hereby submit their Report and the accounts for the period from 8 December 2003 to 31 December 2004.

On 8 December 2003, the company changed its name to Stena Explorer Limited and changed its accounting reference date to 31 December.

### **Principal activities**

The principal activity of the company is the provision of finance and associated services in relation to the vessel, the Stena Explorer, to a fellow group company within the Stena AB (publ) group.

### **Review of the business**

The company's profit after taxation for the financial period is £21,914,000 (2003: loss of £244,000). Further details are set out in note 5. No dividend is proposed for the financial period (2003: £925,000).

The company has conducted its activities throughout the period in a satisfactory manner.

The company was purchased by Stena (UK) Limited on 8 December 2003, as set out in note 14.

On the 15 December 2004 the company moved its management from the United Kingdom to The Netherlands. On 23 December 2004, the company issued a special share with a nominal amount of £1 to Stena International BV. This special share represents 56 per cent of the voting rights of the company (voting rights attending to the ordinary shares account for the remaining 44 per cent). As set out in note 14, effective from 23 December 2004, the company considers its immediate parent and controlling undertaking to be Stena International BV.

### **Directors**

The Directors of the company during the period from 8 December 2003 to the date of this report were:

S W Carlsson	(appointed 8 December 2003)
P M De Ligt	(appointed 15 December 2004)
S R Clarkson	(appointed 15 December 2004)
M. H Percy	(appointed 8 December 2003, resigned 15 December 2004)
S J Peters	(resigned 8 December 2003)
K Walsh	(resigned 8 December 2003)

During the period to 31 December 2004 no director had any beneficial interest in the share capital of the company.

All the directors who held office at 31 December 2004, except S R Clarkson are also directors of Stena International BV, the immediate parent company (from 15 December 2004). S W Carlsson is also a director of the company's ultimate holding company, Stena AB (publ). Further details of this company are given in note 14.

## **Report of the Directors (*continued*)**

### **Auditors**

KPMG Audit Plc resigned as auditors of the company during the period and the Directors appointed KPMG LLP as auditors of the company.

In accordance with S384 of the Companies Act, a resolution to reappoint KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S.R. Clarkson', written over the printed name.

S R Clarkson  
*Secretary*

Date: 28 October 2005

Schiphol Boulevard 237  
1118 BH Schiphol Airport  
The Netherlands

## **Statement of Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 to enable them to ensure that the accounts 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.

## **Independent Auditor's report to the members of Stena Explorer Limited**

We have audited the financial statements on pages 5 to 14.

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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

### **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 as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

31 October 2005

## **Profit and loss account**

*Period from 8 December 2003 to 31 December 2004*

		<b>Period 8 Dec 2003 to 31 Dec 2004 £'000</b>	<b>Period 1 April 2003 to 7 Dec 2003 £'000</b>
	<i>Notes</i>		
<b>Turnover</b>	2,3	<b>2,761</b>	1,120
Interest payable and similar charges	3	<b>(4,810)</b>	(1,470)
Interest receivable and similar income	3	<b>754</b>	12
<b>Gross loss</b>		<b>(1,295)</b>	(338)
Administrative expenses	3	<b>(1,138)</b>	(7)
<b>Loss on ordinary activities before taxation</b>	3	<b>(2,433)</b>	(345)
Taxation on loss on ordinary activities	5	<b>24,347</b>	101
<b>Profit/(loss) after taxation</b>		<b>21,914</b>	(244)
Dividends	6	<b>-</b>	(925)
<b>Retained profit/(loss) for the financial period</b>	11	<b>21,914</b>	(1,169)
Profit and loss account brought forward	11	<b>-</b>	1,169
<b>Profit and loss account carried forward</b>	11	<b>21,914</b>	-

There are no recognised gains and losses other than those shown above. Accordingly no statement of total recognised gains and losses has been presented.

All activities relate to continuing operations.

The notes on pages 7 to 14 form part of the financial statements

**Balance sheet**  
*At 31 December 2004*

	<i>Notes</i>	<b>At 31 December 2004 £'000</b>	<b>At 7 December 2003 £'000</b>
<b>Current assets</b>			
Debtors : receivable within one year	7	8,726	7,629
: receivable after one year	7	<u>83,378</u>	<u>85,674</u>
		<b>92,104</b>	<b>93,303</b>
Cash at bank		253	-
<b>Creditors: payable within one year</b>	8	<b>(7,433)</b>	<b>(69,485)</b>
<b>Net current assets</b>			
Due within one year		1,546	(61,856)
Due after more than one year	7	<u>83,378</u>	<u>85,674</u>
		<b>84,924</b>	<b>23,818</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(63,009)</b>	-
<b>Provisions for liabilities and charges</b>			
Deferred taxation	9	-	(23,818)
<b>Net assets</b>		<u><b>21,915</b></u>	<u>-</u>
Called up share capital	10	-	-
Share premium	11	1	-
Profit and loss account	11	<u>21,914</u>	-
<b>Shareholders' funds</b>	12	<u><b>21,915</b></u>	<u>-</u>

The notes on pages 7 to 14 form part of the financial statements.

Approved by the Board of Directors on 28 October 2005 and signed on its behalf by

.....  
P M De Ligt  
Director



## **Notes to the accounts**

### **1. Accounting policies**

#### **Basis of preparation**

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985 and in compliance with the Finance and Leasing Association Statement of Recommended Accounting Practice (SORP).

#### **Cash flow statement**

The company is exempted from producing a cash flow statement since a consolidated cash flow statement is prepared in accordance with the requirements of Financial Reporting Standard 1 (Revised) is included in the accounts of its ultimate parent company.

#### **Finance leases**

Assets leased by the company to lessees which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within finance debtors. The net investment in finance leases represents total minimum payments less gross earnings allocated to future periods. Obligations under leases with third party finance lessors are included in creditors.

Income from finance leases is credited to the profit and loss account using a method to give a constant periodic return on the net cash investment.

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested to the related contracts.

#### **Taxation**

The taxation charge for the period is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except as otherwise provided by accounting standards, deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

## **Notes to the accounts (*continued*)**

### **.1. Accounting Policies (*continued*)**

#### **Provisions for bad and doubtful debts**

Specific and general provisions are deducted from loans and advances. Provision made during the period, less amounts released and recoveries of amounts written off in previous periods are charged to the profit and loss account.

#### **Interest payable and interest receivable**

Net interest payable on funding from group undertakings is regarded as an operating cost and is included in operating profit in the profit and loss account.

#### **Foreign exchange**

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

### **2. Turnover**

Turnover, all of which during the period arose from activities within the United Kingdom and The Netherlands, represents finance charges earned on an intra-group leasing agreement and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

## Notes to the accounts (*continued*)

### 3. Loss on ordinary activities before taxation

	Period 8 Dec 2003 to 31 Dec 2004 £'000	Period 1 April 2003 to 7 Dec 2003 £'000
<i>Loss on ordinary activities before taxation is stated after crediting/(charging):</i>		
Finance lease rental income	2,776	1,366
Depreciation	(15)	(246)
Turnover	<u>2,761</u>	<u>1,120</u>
Intra group interest payable	(4,810)	(1,470)
Intra group interest receivable	690	-
Other net interest receivable	<u>64</u>	<u>12</u>

The finance lease receivable relates to one asset, the Stena Explorer vessel.

The company has no employees. It uses the services of its immediate parent undertaking for which a management charge, included within administration expenses, is made.

Included in administrative expenses are the advisory fees relating to the refinancing of the company, of £1,115,000.

Auditor's remuneration in the current period was £9,500 (2003: £7,500). Non-audit fees payable by the Company to its auditors comprised £4,000 for taxation services.

### 4. Directors' emoluments

None of the Directors received any emoluments for their services as directors of the company in the current or prior period.

### 5. Tax on loss on ordinary activities

#### a. Analysis of tax credit in the period

	Period 8 Dec 2003 to 31 Dec 2004 £'000	Period 1 April 2003 to 7 Dec 2003 £'000
<i>Current tax</i>		
UK corporation tax at 30% (2003: 30%) on loss for the period	<u>(529)</u>	<u>(398)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	297
Adjustments relating to prior years	<u>(23,818)</u>	<u>-</u>
	<u>(23,818)</u>	<u>297</u>
Tax on loss from ordinary activities	<u>(24,347)</u>	<u>(101)</u>

## **Notes to the accounts (*continued*)**

### **.5. Tax on profit/(loss) on ordinary activities (*continued*)**

#### *b. Factors affecting tax credit for the period*

The current tax credit for the period differs than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	<b>Period 8 Dec 2003 to 31 Dec 2004 £'000</b>	<b>Period 1 April 2003 to 7 Dec 2003 £'000</b>
Loss on ordinary activities before taxation	<u>(2,433)</u>	<u>(345)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(730)	(103)
Effects of:		
Capital allowances in excess of depreciation	-	(297)
Income not subject to taxation	(89)	-
Expenses not deductible for corporation tax purposes	290	2
Current tax credit for the period	<u>(529)</u>	<u>(398)</u>

Following the transfer of management to the Netherlands, the company ceased to be UK tax resident and become a Dutch tax resident company. The company has reassessed its deferred tax provision and this has resulted in a credit to the profit and loss account of £23,818,000.

#### **c. Factors that may affect future tax charges**

The company expects its effective total tax rate in future periods to consistent with the standard rate of corporation tax in the Netherlands, subject to the level of expenses incurred which are not deductible for tax purposes.

## Notes to the accounts (*continued*)

### 6. Dividends

	Period 8 Dec 2003 to 31 Dec 2004 £'000	Period 1 April 2003 to 7 Dec 2003 £'000
Final dividend proposed: £nil (2003: £925,000) per £1 share	-	925

### 7. Debtors

	31 December 2004 £'000	7 December 2003 £'000
<i>Amounts receivable within one year</i>		
Finance lease debtor receivable from fellow group subsidiary	425	-
Amounts owed by fellow group undertakings	7,507	7,363
Group relief receivable	529	-
Corporation tax receivable	265	266
	<u>8,726</u>	<u>7,629</u>
	£'000	£'000
<i>Amounts receivable after more than one year</i>		
Finance lease debtor receivable from fellow group subsidiary	<u>83,378</u>	<u>85,674</u>

### 8. Creditors

	31 December 2004 £'000	7 December 2003 £'000
<i>Amounts falling due within one year</i>		
Amounts due to fellow group undertakings:		
- Finance lease creditor nominal loan amount	2,448	-
- Finance lease creditor accrued interest	2,965	-
- Loan	-	64,133
- Other amounts owed to fellow group undertakings	1,957	-
Other creditors – VAT	29	22
Accruals and deferred income	34	4,405
Proposed dividends	-	925
	<u>7,433</u>	<u>69,485</u>
	£'000	£'000
<i>Amounts falling after more than one year</i>		
Amounts due to fellow group undertakings		
- Finance lease creditor	<u>63,009</u>	<u>-</u>

## Notes to the accounts (*continued*)

### 8. Creditors (*continued*)

Amounts payable under intra-group finance leases are payable as follows:

	31 December 2004 £'000	7 December 2003 £'000
Within one year	2,448	-
Within 1-2 years	2,607	-
Within 2-5 years	8,873	-
After more than 5 years	51,529	-
	<u>65,457</u>	<u>-</u>

The intra-group finance lease is for the asset, the Stena Explorer vessel. Interest is payable in respect of the above finance lease at LIBOR plus 2% over a term until May 2020.

### 9. Provision for liabilities and charges

	31 December 2004 £'000	7 December 2003 £'000
At the beginning of the period	(23,818)	(100)
Credit/(charge) for the period (note 5)	23,818	(297)
Transfer from group undertaking	-	(23,421)
Deferred tax provision at the end of the period	<u>-</u>	<u>(23,818)</u>
Of which:		
Accelerated capital allowances	<u>-</u>	<u>(23,818)</u>

## Notes to the accounts (*continued*)

### 10. Share capital

	31 December 2004 £	7 December 2003 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
1 special share of £1	1	-
	<u>101</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
1 special share of £1	1	-
	<u>101</u>	<u>100</u>

During the period, the company issued one special share of £1. This special share represents 56 per cent of the voting rights of the company (the voting rights of ordinary shares comprise the other 44 per cent). The special share carries no rights to any dividend and a right to 0.0001% of the equity of the Company in the event of a winding up or return of capital. Further details are set out in note 14

### 11. Reserves

	Share premium £'000	Profit and loss reserve £'000
<i>At beginning of the period</i>	-	-
Paid in surplus on special share issue	1	-
Retained profit for the period		21,914
	<u>1</u>	<u>21,914</u>
<i>At end of the period</i>		

### 12. Reconciliation of movements in shareholders' funds

	31 December 2004 £'000	7 December 2003 £'000
Shareholders' funds at beginning of the period	-	1,169
Issue of share capital	-	-
Paid in surplus on special share issue	1	-
Profit for the financial period	21,914	(244)
Dividends	-	(925)
	<u>21,915</u>	<u>-</u>
Shareholders' funds at end of the period		

Non-equity and equity shareholders' funds comprise £1,000 (2003: £nil) and £21,914,000 (2003: £nil) respectively.

## **Notes to the accounts (*continued*)**

### **13. Related party transactions**

Under FRS 8 Related Party Disclosures, the company is exempt from disclosing transactions with other companies within the Stena AB (publ) group where 90% or more of the voting rights are held within the Stena AB (publ) group.

The directors confirm that there are no other related party transactions which require disclosure in these financial statements.

### **14. Ultimate parent undertaking**

On 8 December 2003 the company was purchased by Stena (UK) Limited. Stena (UK) Limited is incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking is Stena AB (publ), a company incorporated in Sweden.

For the period from 8 December 2003 to 14 December 2004, the Directors considered Stena (UK) Limited to be the company's immediate parent undertaking and controlling party.

On 23 December 2004, the company issued a special £1 share to Stena International BV, which confers 56% of the voting rights of the company to Stena International BV (the voting rights of ordinary shareholders comprise the remaining 44%). As a result of this share issue, the Directors consider Stena International BV to be the company's immediate parent undertaking and controlling party with effect from 23 December 2004.

The largest group in which results of the Company are consolidated is that headed by Stena AB (publ). The consolidated financial statements of Stena AB (publ) are available at Mastuggskajen, 405 19 Gothenburg, Sweden.