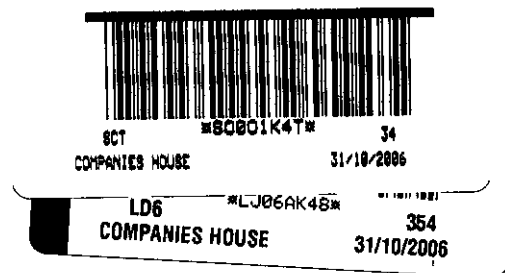


# **Stena Explorer Limited**

## **Directors' report and financial statements**

**For the year to 31 December 2005**

**Company number SC 059678**



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## **Report of the Directors**

The Directors hereby submit their Report and the accounts for the year to 31 December 2005

### **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 loss after taxation for the financial year is £1,209,000 (2004 profit after tax for the financial period of £21,914,000) No dividend is proposed for the financial year (2004 £nil)

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

### **Directors**

The Directors of the company during the year and to the date of this report were

S W Carlsson  
P M De Ligt  
S R Clarkson

During the year no director had any beneficial interest in the share capital of the company

All the directors who held office at 31 December 2005, except S R Clarkson are also directors of Stena International BV, the immediate parent company 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 13

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

### **Auditors**

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', with a long horizontal flourish extending to the right.

S R Clarkson  
*Secretary*

Date 27 October 2006

Schiphol Boulevard 237  
1118 BH Schiphol Airport  
The Netherlands

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 its financial statements 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

## KPMG LLP

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

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

We have audited the financial statements of Stena Explorer 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.

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**

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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).

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



KPMG LLP  
Chartered Accountants  
Registered Auditor

30 October 2006

## **Profit and loss account**

*Year to 31 December 2005*

	<i>Notes</i>	<b>Year to 31 December 2005 £'000</b>	<b>Period 8 Dec 2003 to 31 Dec 2004 £'000</b>
<b>Turnover</b>	2,3	<b>2,887</b>	2,761
Interest payable and similar charges	3	<b>(4,438)</b>	(4,810)
Interest receivable and similar income	3	<u>367</u>	<u>754</u>
<b>Gross loss</b>		<b>(1,184)</b>	(1,295)
Administrative expenses		<u>(29)</u>	<u>(1,138)</u>
<b>Loss on ordinary activities before taxation</b>	3	<b>(1,213)</b>	(2,433)
Taxation on loss on ordinary activities	5	<u>4</u>	<u>24,347</u>
<b>(Loss)/profit after taxation for the financial year / period</b>		<u><b>(1,209)</b></u>	<u>21,914</u>

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 2005*

	<i>Notes</i>	At 31 December 2005 £'000	At 31 December 2004 £'000
<b>Current assets</b>			
Debtors receivable within one year	6	818	8,726
receivable after one year	6	<u>82,564</u>	<u>83,378</u>
		83,382	92,104
Cash at bank		<u>5,183</u>	253
		<u>88,565</u>	<u>92,357</u>
<b>Creditors: payable within one year</b>	7	(7,458)	(7,433)
<b>Net current assets</b>			
Due within one year		(1,460)	1,546
Due after more than one year	6	<u>82,567</u>	<u>83,378</u>
		81,107	84,924
<b>Creditors: amounts falling due after more than one year</b>	7	(60,401)	(63,009)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	8		
<b>Net assets</b>		<u>20,706</u>	<u>21,915</u>
Called up share capital	9		
Share premium	10	1	1
Profit and loss account	10	<u>20,705</u>	21,914
<b>Shareholders' funds</b>	11	<u>20,706</u>	<u>21,915</u>

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

The financial statements were approved by the Board of Directors on 27 October 2006 and signed on its behalf by



S R Clarkson  
*Director*



## Notes to the accounts

### 1. Accounting policies

The following principal accounting policies have been applied consistently throughout the year, dealing with items which are considered material to the company's financial statements, except as noted below

#### *New Financial Reporting Standards*

In these financial statements, the following new standards have been adopted for the first time

#### *FRS 21 Events after the balance sheet date*

Under previous UK GAAP, dividends proposed after the balance sheet date but before the financial statements were approved, were recorded as liabilities in the financial statements. During the year, the Company has adopted FRS 21. This requires dividends to be recorded as liabilities in the financial statements only in the period in which they are approved for payment and are no longer at the discretion of the Company. As no dividends were proposed at 31 December 2004 and 31 December 2003 this change in accounting policy has not impacted these financial statements.

#### *FRS 25 Financial instruments – presentation and disclosure*

The presentation requirements of FRS 25 are applicable within these financial statements. Equity dividends are debited directly to equity. The presentational requirements of this new standard have not otherwise impacted these financial statements.

#### *FRS 28 Corresponding amounts*

This has no effect because it imposes the same requirements for comparatives as previously required by the Companies Act 1985.

#### **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).

The financial statements have been prepared by the Directors on a going concern basis, notwithstanding net current liabilities. This is because the Company's immediate parent undertaking, Stena International BV has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to meet its obligations as they fall due.

#### **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.

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

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

#### **Taxation**

The taxation charge for the period is based on the profit or loss 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.

#### **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.

#### **Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment.

### **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

	Year to 31 Dec 2005 £'000	Period 8 Dec 2003 to 31 Dec 2004 £'000
<i>Loss on ordinary activities before taxation is stated after crediting/(charging)</i>		
Finance lease rental income	3,259	2,776
Depreciation	(372)	(15)
Turnover	<u>2,887</u>	<u>2,761</u>
Intra group interest payable	(4,438)	(4,810)
Intra group interest receivable	254	690
Other net interest receivable	<u>113</u>	<u>64</u>
	<u>367</u>	<u>754</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

Auditor's remuneration in the current year was £5,000 (2004 prior period £9,500). Non audit fees payable by the Company to its auditors comprised £6,742 (2004 prior period £4,000) for taxation services

### 4. Directors' remuneration

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

### 5. Tax on loss on ordinary activities

#### a Analysis of tax credit in the year/period

	Year to 31 Dec 2005 £'000	Period 8 Dec 2003 to 31 Dec 2004 £'000
<i>Current tax</i>		
Current year	34	(529)
Tax credit relating to prior years	(38)	
	<u>(4)</u>	<u>(529)</u>
<i>Deferred tax</i>		
Adjustments relating to prior years		(23,818)
Tax on loss from ordinary activities	<u>(4)</u>	<u>(24,347)</u>

## Notes to the accounts (*continued*)

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

#### *b Factors affecting tax credit for the year / period*

On the 15 December 2004 the company ceased to be UK tax resident and became a Dutch tax resident company. Consequently, all profits in the current year are subject to Dutch taxation. In the comparative year, following this transfer, the Company reassessed its deferred tax provision and this resulted in a credit to the profit and loss account of £23,818,000.

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

	Year to 31 Dec 2005 £'000	Period 8 Dec 2003 to 31 Dec 2004 £'000
Loss on ordinary activities before taxation	<u>(1,213)</u>	<u>(2,433)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 30%)	(364)	(730)
Effects of		
Income not subject to taxation		(89)
Expenditure not deductible	416	
Difference in tax rate between the UK and The Netherlands	(18)	
Expenses not deductible for corporation tax purposes	-	290
Prior year adjustment	(38)	
Current tax credit for the year / period	<u>(4)</u>	<u>(529)</u>

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

The Company expects its effective total tax rate in future periods to be higher than the standard rate of corporation tax in the Netherlands, due to expenses incurred which are not deductible for tax purposes.

## Notes to the accounts (*continued*)

### 6. Debtors

	31 December 2005 £'000	31 December 2004 £'000
<i>Amounts receivable within one year</i>		
Finance lease debtor receivable from fellow group subsidiary	817	425
Amounts owed by fellow group undertakings	-	7,507
Other short term receivable VAT	1	
Group relief receivable	-	529
Corporation tax receivable		265
	<u>818</u>	<u>8,726</u>
	£'000	£'000
<i>Amounts receivable after more than one year</i>		
Finance lease debtor receivable from fellow group subsidiary	<u>82,564</u>	<u>83,378</u>

### 7. Creditors

	31 December 2005 £'000	31 December 2004 £'000
<i>Amounts falling due within one year</i>		
Amounts due to fellow group undertakings		
Finance lease creditor nominal loan amount	2,607	2,448
Finance lease creditor accrued interest	2,933	2,965
Other amounts owed to fellow group undertakings	1,847	1,957
Other creditors – VAT	29	29
Corporation tax payable	34	
Accruals and deferred income	8	34
	<u>7,458</u>	<u>7,433</u>
	£'000	£'000
<i>Amounts falling due after more than one year</i>		
Amounts due to fellow group undertakings		
Finance lease creditor	<u>60,401</u>	<u>63,009</u>

## Notes to the accounts (*continued*)

### 8. Creditors (*continued*)

Amounts payable under intra group finance leases are payable as follows

	<b>31 December 2005 £'000</b>	31 December 2004 £'000
Within one year	2,607	2,448
Within 1 2 years	2,777	2,607
Within 2 5 years	9,449	8,873
After more than 5 years	48,175	51,529
	<u>63,008</u>	<u>65,457</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.

### 8. Provision for liabilities and charges

	<b>31 December 2005 £'000</b>	31 December 2004 £'000
<i>Deferred taxation</i>		
At the beginning of the year / period		(23,818)
Credit for the year / period (note 5)		23,818
Transfer from group undertaking		
At the end of the year / period	<u>          </u>	<u>          </u>

## Notes to the accounts (*continued*)

### 9. Share capital

	<b>31 December 2005 £</b>	<b>31 December 2004 £</b>
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
1 special share of £1	1	1
	<u>101</u>	<u>101</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
1 special share of £1	1	1
	<u>101</u>	<u>101</u>

During 2004, 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 13.

### 10. Reserves

	<b>Share premium £'000</b>	<b>Profit and loss reserve £'000</b>
At beginning of the year / period	1	21,914
Retained profit for the year / period		(1,209)
At end of the year / period	<u>1</u>	<u>20,705</u>

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

	<b>31 December 2005 £'000</b>	<b>31 December 2004 £'000</b>
Shareholders' funds at beginning of the year / period	21,915	
Paid in surplus on special share issue		1
Profit for the financial year / period	(1,209)	21,914
Shareholders' funds at end of the year / period	<u>20,706</u>	<u>21,915</u>

Non-equity and equity shareholders' funds comprise £1,000 (2004: £1,000) and £20,705,000 (2004: £21,914,000) respectively.

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

### **12. 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

### **13. Ultimate parent undertaking**

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