

# **Trafalgar House Steam-Ship Company Limited**

*formerly The Cunard Steam-Ship Company Limited*

**Report and Accounts**  
**for the year ended**  
**31 December 1997**

Company No : 12286C



## **Directors' Report**

The Directors have pleasure in submitting their report on the affairs of the Company, together with the Accounts and auditors report, for the year ended 31 December 1997.

## **Change of Name**

The Company changed its name from The Cunard Steam-Ship Company Limited to Trafalgar House Steam-Ship Company Limited on 1st June 1998.

## **Principal Activities and Business Review**

During the year the Company's principal activities were the ownership and leasing of assets and acting as a holding company. In March 1997 the trade carried on by the Company together with all the assets used in that trade were sold to a fellow wholly owned subsidiary within the Kværner Group. Following that disposal the Company continued to act as a holding company whose subsidiaries were involved in the operation of passenger ships.

Subsequent to the year end the Kværner Group disposed of its international shipping business operated by the Company's subsidiary, Cunard Line Limited (which company is now known as Trafalgar House Line Limited), together with various assets, including the Queen Elizabeth 2, the Sea Goddess 1, the Sea Goddess 2, the Royal Viking Sun and a sub-bareboat charter arrangement in respect of the Vistafjord.

## **Results**

The results of the Company for the year are set out in the Profit and Loss Account on Page 5. The retained loss for the year ended 31 December 1997 of \$12.6 million (period to 31 December 1996 - profit of \$19.6 million) has been transferred to reserves.

## **Dividends**

The Directors do not propose to recommend the payment of any dividends on the issued ordinary share capital of the Company in respect of the year ended 31 December 1997 (1996 - nil).

## **Directors**

The following persons were directors of the Company during the year :

Mr E. Tønseth	(resigned 14 October 1998)
Mr A. Pankakoski	
Mr K. Ursin-Smith	

## **Director's Interests**

None of the Directors at 31 December 1997 had any interests to be disclosed under the Companies Act 1985. There have been no changes to this position between 31 December 1997 and the date of this report.

**Year 2000**

Kværner have instituted a group wide programme under the chairmanship of a senior executive to make sure that all business procedures, solutions and systems are millenium compliant in due time, before the end of this millenium. This programme, taking into consideration both commercial, legal and technological aspects will include regular milestone reporting to group management and the Kværner Board.

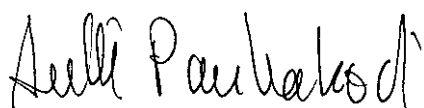
**Policy on Payment of Suppliers**

Statutory Regulations issued under the Companies Act 1985 require the Company to make a statement of its policy and practice on the payment of trade creditors. As a holding company with no business other than the holding of shares in companies of the Kværner Group, the Company has no trade creditors. For the information of the reader, operating companies within the Kværner Group are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted.

**Auditors**

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed on 3rd April 1996.

By Order of the Board



A. Pankakoski  
Director

4 December 1998

Registered office :  
St. James's House  
23 King Street  
London SW1Y 6QY

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare Accounts for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company 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;
- 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 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.

The above statement should be read in conjunction with the audit report on page 4.

## **Auditors' Report**

### **To the Shareholders of Trafalgar House Steam-Ship Limited**

We have audited the Accounts on pages 5 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

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

As described on page 3, the Company's directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

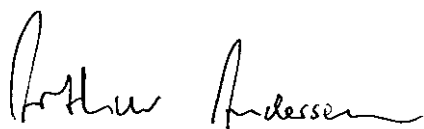
### **Basis of opinion**

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 Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 Accounts 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 Accounts.

### **Opinion**

In our opinion the Accounts give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants & Registered Auditors**

1 Surrey Street  
London WC2R 2PS

4 December 1998

**Profit & Loss Account for the year ended 31 December 1997**

	Notes	31 December 1997 \$000	31 December 1996 \$000
<b>Discontinued operations</b>			
Turnover	2	2,076	14,237
Cost of sales		<u>(846)</u>	<u>(13,551)</u>
<b>Gross and operating profit</b>		1,230	686
Non operating items:			
Profit on sale of fixed assets	4	17,164	5,935
Profit on sale of subsidiary undertakings	4	-	1,209
Write down of investment in subsidiary undertakings	4	(30,000)	-
Release of provisions	4	-	23,080
<b>(Loss)/profit before interest</b>		<u>(11,606)</u>	<u>30,910</u>
Interest receivable and similar income	5	6,412	9,260
Interest payable and similar charges	6	(7,403)	(20,589)
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(12,597)</u>	<u>19,581</u>
Tax on (loss)/profit on ordinary activities	7	-	-
<b>Retained (loss)/profit for the period</b>	15	<u>(12,597)</u>	<u>19,581</u>

A note of historical cost profits and losses has not been included as part of these Accounts as there is no difference between the result as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The accompanying notes are an integral part of this profit and loss account.

Company  
**Trafalgar House Steam-Ship Limited**  
 Formerly Cunard Steam-Ship Limited

**Report and Accounts 1997**

**Balance Sheet as at 31 December 1997**

	Notes	31 December 1997 \$'000	31 December 1996 \$'000
<b>Fixed assets</b>			
Tangible assets	9	-	52,379
Investments	10	14,470	44,470
		<u>14,470</u>	<u>96,849</u>
<b>Current assets</b>			
Debtors	11	191,921	254,702
Assets held for resale		-	19,250
		<u>191,921</u>	<u>273,952</u>
<b>Creditors: Amounts falling due within one year</b>	12	(117,231)	(268,660)
<b>Net current assets</b>		<u>74,690</u>	<u>5,292</u>
<b>Total assets less current liabilities</b>		<u>89,160</u>	<u>102,141</u>
<b>Provisions for liabilities and charges</b>	13	(50,020)	(50,404)
<b>Total net assets</b>		<u>39,140</u>	<u>51,737</u>
<b>Equity capital and reserves</b>			
Called up share capital	14	343,056	343,056
Profit and loss account	15	(303,916)	(291,319)
<b>Total capital employed</b>		<u>39,140</u>	<u>51,737</u>

The accompanying notes are an integral part of this balance sheet.

These accounts were approved by the Board of Directors on 4 December 1998 and signed on its behalf by:



A. Pankakoski

**Trafalgar House Steam-Ship Limited**  
 Formerly Cunard Steam-Ship Limited

**Report and Accounts 1997**

**Statement of Total Recognised Gains and Losses**

	Year to 31 December 1997 \$000	15 months to 31 December 1996 \$000
(Loss)/profit for the period recognised in the profit and loss account	(12,597)	19,581
Currency translation differences on foreign currency net investments taken directly to reserves	-	(5,050)
Total recognised gains and losses relating to the period	<u>(12,597)</u>	<u>14,531</u>

**Reconciliation of movements in shareholders' funds**

	Year to 31 December 1997 \$000	15 months to 31 December 1996 \$000
(Loss)/profit for the period	(12,597)	19,581
Exchange movement on foreign currency net investments	-	(5,050)
New share capital subscribed	-	298,740
	<u>(12,597)</u>	<u>313,271</u>
Opening shareholders' funds	51,737	(261,534)
Closing shareholders funds	<u>39,140</u>	<u>51,737</u>

The accompanying notes form an integral part of this statement of total recognised gains and losses and this reconciliation of movements in shareholders funds.



**Notes to the Accounts**

**1. Accounting Policies**

The following accounting policies have been applied consistently in the current year and the preceding period in dealing with items which are considered material in relation to the Company's financial statements.

**(a) Accounting conventions**

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

**(b) Basis of preparation**

The Company, as permitted by Section 228 of the Companies Act 1985, has elected not to prepare its own consolidated financial statements on the basis that it is a wholly owned subsidiary undertaking (note 18).

**(c) Cash flow statement**

The company has taken advantage of the exemption under the rules of FRS1 (revised) not to produce a cash flow statement. The appropriate amounts have been included in the consolidated accounts of Kværner ASA, a company registered in Norway, which produces consolidated accounts which are publicly available.

**(d) Foreign Currencies**

Trading results denominated in foreign currencies are translated into U.S. dollars at average rates of exchange. Assets and liabilities are translated into U.S. dollars at the rates ruling at the period end except where rates of exchange are fixed under contractual arrangements.

**(e) Turnover**

Turnover derives from leasing or licensing of ships.

**(f) Taxation**

The charge for taxation 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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

**(g) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation net of accumulated depreciation and provision for permanent diminution in value. Depreciation is provided to write off the cost less the estimated residual value of ships by equal annual instalments over their estimated useful economic life of 12 years

**(h) Leases**

All leases are accounted for as 'operating leases' and the rent receivable is credited to the profit and loss account on a straight line basis over the life of the lease.

**1. Accounting Policies (continued)**

**(i) Fixed asset investments**

Shares in subsidiary undertakings are stated at cost less amounts written off where, in the opinion of the directors, there has been a permanent diminution in the value of a subsidiary. In assessing permanent diminution, the directors consider the subsidiary's long term profit earning potential.

**2. Analysis of turnover and operating profit**

	Year to 31 December 1997 \$000	15 months to 31 December 1996 \$000
Discontinued activities		
Turnover	<u>2,076</u>	<u>14,237</u>
Operating profit	<u>1,230</u>	<u>686</u>

Turnover is derived exclusively from within the United Kingdom and from group companies

**3. Operating profit is after charging:**

	Year to 31 December 1997 \$000	15 months to 31 December 1996 \$000
Depreciation - Owned assets	846	6,996

Audit costs are borne by Trafalgar House Line Limited a subsidiary undertaking.

**4. Exceptional items**

	Year to 31 December 1997 \$000	15 months to 31 December 1996 \$000
(a) Cost of sales		
Permanent diminution in value of assets for resale, ships and relocation costs	-	(6,509)
(b) Non operating items		
Profit on sale of fixed assets	17,164	5,935
Profit on sale of subsidiary undertakings	-	1,209
Write down of investment in subsidiary undertakings	(30,000)	-
Release of provisions	-	23,080
	<u>(12,836)</u>	<u>30,224</u>
<b>Total exceptional items</b>	<u>(12,836)</u>	<u>23,715</u>

None of the above items affect the tax charge or minority interest.

**Trafalgar House Steam-Ship Limited**  
 Formerly Cunard Steam-Ship Limited

**Report and Accounts 1997**

**5. Interest receivable and similar income**

<b>Year to 31 December 1997 \$000</b>	<b>15 months to 31 December 1996 \$000</b>
Fellow subsidiary undertakings	8,677
Other	583
<u>6,412</u>	<u>9,260</u>

**6. Interest payable and similar charges**

<b>Year to 31 December 1997 \$000</b>	<b>15 months to 31 December 1996 \$000</b>
Fellow subsidiary undertakings	20,589
<u>7,403</u>	<u>20,589</u>

**7. Taxation**

The potential amount of deferred taxation calculated on the liability method at 31% (1996 : 33%) is \$nil (1996 : \$nil). The tax charge for the period has been eliminated through the availability of tax losses for offset against taxable profits.

**8. Directors' Emoluments**

The directors did not receive any emoluments from the company or any group undertaking in respect of services performed on behalf of the company (1996 : \$nil). There were no staff other than the directors employed in the year.

**9. Tangible fixed assets**

	<b>Ships \$000</b>
<b>Cost or valuation:</b>	
At 1 January 1997	97,385
Additions	-
Transfer to fellow subsidiary undertakings	(97,385)
<b>At 31 December 1997</b>	<u>-</u>
<b>Depreciation:</b>	
At 1 January 1997	45,006
Charge for year	846
Transfer to fellow subsidiary undertakings	(45,852)
<b>At 31 December 1997</b>	<u>-</u>
<b>Net book value:</b>	
<b>At 31 December 1997</b>	<u>-</u>
<b>At 31 December 1996</b>	<u>52,379</u>

**10. Fixed asset investments**

**Shares in subsidiary undertakings**

	<b>Cost or valuation \$000</b>	<b>Provisions \$000</b>	<b>Total \$000</b>
At 1 January 1997	267,002	(222,532)	44,470
Provision for permanent diminution in value		(30,000)	(30,000)
At 31 December 1997	267,002	(252,532)	14,470

The principal subsidiary undertakings which are wholly owned and are registered in England and Wales are as follows :

**Subsidiary undertaking**

Trafalgar House Line Limited  
 Trafalgar House SG Limited  
 Trafalgar House Cruise Ships Limited  
 Squareswing Limited

**Principal activity**

Ownership and operation of passenger ships  
 Charterer of cruise liners  
 Dormant  
 Dormant

**11 Debtors**

**Amounts falling due within one year:**

Amounts owed by subsidiary undertakings  
 Amounts owed by fellow subsidiary undertakings  
 Other debtors

**31 Dec 1997  
\$000**      **31 Dec 1996  
\$000**

109,674      125,461  
 81,925      129,241  
 322      -

191,921      254,702

**12. Creditors**

**Amounts falling due within one year:**

Amounts owed to subsidiary undertakings  
 Amounts owed to fellow subsidiary undertakings

**31 Dec 1997  
\$000**      **31 Dec 1996  
\$000**

22,397      6,996  
 94,834      261,664

117,231      268,660

**13. Provisions for liabilities and charges**

**\$000**

At 1 January 1997  
 Utilised in the year

50,404  
 (384)

At 31 December 1997

50,020

Provisions at 31 December 1997 relate to the diminution in the value of investments in subsidiaries.

**14. Equity share capital**

**31 Dec 1997  
\$000**      **31 Dec 1996  
\$000**

Authorised, allotted, called up and fully paid  
 223,000,000 ordinary shares of £1 each

343,056      343,056

The issued share capital at 1 October 1995 has been converted at the relevant exchange rate at that date. Subsequent increases in share capital are converted at the rate ruling at the date of issue.

**15. Reserves**

	<b>Profit and loss account \$000</b>
As at 1 January 1997	(291,319)
Retained loss for the year	(12,597)
As at 31 December 1997	<u>(303,916)</u>

**16. Commitments**

	<b>31 Dec 1997 \$000</b>	<b>31 Dec 1996 \$000</b>
<b>Capital expenditure</b>		
Contracted	-	142
Authorised but not contracted	-	3,357

**17 Post balance sheet event**

On 27 March 1998, the company acquired Cunard trade marks and attaching rights from its subsidiary, Trafalgar House Line Limited (formerly Cunard Line Limited).

On 28 May 1998 the Kvaerner Group disposed of its international shipping business to a third party. The Company sold the Cunard trade marks and attaching rights, and Trafalgar House Line Limited (formerly Cunard Line Limited) disposed of the bulk of its assets and undertakings to the same third party. The final consideration for these transactions has not yet been finalised with the third party.

**18. Ultimate parent company**

Kvaerner PLC heads the smallest group in which the results of the Company are consolidated.

The ultimate parent company is Kvaerner ASA which heads the largest group in which the results of the Company are consolidated.

Copies of the respective financial statements can be obtained from Kvaerner PLC at St James's House 23 King Street, London SW1Y 6QY.