

P&O Stena Fantasia (FL) Limited
(formerly Stena Fantasia (FL) Limited)

Directors' Report and Financial Statements

For the Year Ended 31 December 1997

Registration Number: 2471819



P&O Stena Fantasia (FL) Limited
(formerly Stena Fantasia (FL) Limited)

Directors' Report and Financial Statements

For the Year Ended 31 December 1997

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P&O Stena Fantasia (FL) Limited
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Directors' Report

The directors submit their annual report and the audited financial statements for the year ended 31 December 1997.

1 Change of name

The company changed its name to P&O Stena Fantasia (FL) Limited on 10 March 1998.

2 Activities and business review

The activity of the company is that of a ship charterer.

Turnover and result for the year are stated in the profit and loss account which is presented on page 7.

3 Subsequent events

On 8 March 1998, the authorised share capital of the company was increased from £1,000 to £20,000,000 by the creation of 19,999,000 additional ordinary shares of £1 each. The company issued to Stena Line (UK) Limited 19,304,691 new ordinary shares of £1 each, which were fully paid at par for cash.

The following events occurred on 9 March 1998.

The merger of Stena Line (UK) Limited's ferry interests on the short sea route across the English Channel with those of The Peninsular and Oriental Steam Navigation Company (P&O) was finalised, following clearance by the EC, UK and French regulatory authorities.

Stena Line (UK) Limited sold its shares in Stena Fantasia (FL) Limited to P&O Stena Line (Holdings) Limited, the holding company for the merged ferry interests. P&O Stena Line (Holdings) Limited's shares are owned 40% by Stena Line (UK) Limited and 60% by P&O, with each company owning 50% of the voting shares.

The directors consider that there are no other events arising between 31 December 1997 and the date of approval of this report and financial statements, which materially affect the performance or position of the company from that disclosed.

4 Future prospects

The directors expect that the future trading of the company will show results similar to those attained during the year ended 31 December 1997. It is expected that the bareboat charter to Stena Line (Short Sea) Limited will continue throughout 1998.

P&O Stena Fantasia (FL) Limited
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Directors' Report (continued)

5 Fixed assets

Movements in tangible fixed assets are shown in note 8 to the financial statements.

6 Directors

The directors on the Board of Stena Fantasia (FL) Limited who held office during the year were:

W G Cooper	(Chairman) (resigned as Chairman and director on 9 March 1998)
S V Carlsson	(resigned on 16 February 1998)
H Deeble	
L A Hedberg	(resigned on 9 March 1998)
L E R Johansson	(resigned on 30 April 1997)
F W Olohan	(resigned on 25 November 1997)
M Storey	(resigned on 9 March 1998)

J B Higgs was appointed as a director on 4 March 1998 and resigned on 9 March 1998.

R D Peters and M J Ridley were appointed as directors on 9 March 1998:

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of any group company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of any company within the Stena Line (UK) Limited group were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

7 Dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1996: £nil). An amount of £1,364,000 representing the retained profit for the financial year has been transferred to reserves (1996: loss of £436,000).

8 Employees

The company does not employ any personnel directly, but draws on the resources of other group undertakings for its business requirements.

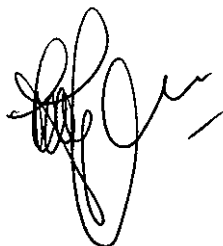
P&O Stena Fantasia (FL) Limited
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Directors' Report (continued)

9 **Auditors**

By an Elective Resolution passed on 7 August 1991, in accordance with Section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually and KPMG therefore continue in office for the forthcoming year.

By order of the Board.



J G Langford
Secretary
Channel House
Channel View Road
Dover
Kent CT17 9TJ

21.10.99

P&O Stena Fantasia (FL) Limited
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Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements 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 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 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 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.

P&O Stena Fantasia (FL) Limited
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Report of the Auditors, KPMG

to the Members of P&O Stena Fantasia (FL) Limited

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. 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 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 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

17th August 1998
London

P&O Stena Fantasia (FL) Limited
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Profit and Loss Account

Year Ended 31 December 1997

	Notes	<u>1997</u> £000	<u>1996</u> £000
Turnover	2	6,661	6,679
Administration expenses		(3,647)	(3,642)
Operating profit		3,014	3,037
Net interest payable	5	(2,898)	(3,473)
Profit/(loss) on ordinary activities before taxation	6	116	(436)
Taxation on profit/(loss) on ordinary activities		1,248	-
Profit/(loss) on ordinary activities after taxation		1,364	(436)
Retained profit brought forward		5,822	6,258
Retained profit carried forward		7,186	5,822

The notes on pages 9 to 16 form part of these financial statements.

The result for the year arises from continuing operations.

A statement of total recognised gains and losses has not been included as part of these financial statements as there is no difference between the result as disclosed in the profit and loss account and the total recognised gains and losses relating to the year.

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

P&O Stena Fantasia (FL) Limited
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Balance Sheet

31 December 1997

	Notes	<u>1997</u>		<u>1996</u>	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		50,738		54,374
Current assets					
Debtors	9	5,217		9,876	
Cash at bank and in hand		-		3	
		5,217		9,879	
Creditors:					
Amounts falling due within one year	10	(22,974)		(19,589)	
Net current liabilities			(17,757)		(9,710)
Total assets less current liabilities			32,981		44,664
Creditors:					
Amounts falling due after more than one year	11		(25,794)		(38,841)
Net assets			7,187		5,823
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account			7,186		5,822
Shareholders' funds - equity			7,187		5,823

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved at a meeting of the Board of Directors held on 21.10.1998 and were signed on their behalf by


)
) Director

P&O Stena Fantasia (FL) Limited
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Notes to Financial Statements

Year Ended 31 December 1997

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of preparation

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

(b) Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as at 31 December 1997 it is a wholly owned subsidiary undertaking of Stena Line (UK) Limited, and its cash flows are included within the consolidated cash flow statement of that company.

(c) Related party transactions

The company is exempt from the requirement of Financial Reporting Standard 8 to disclose related party transactions as at 31 December 1997 it is a wholly owned subsidiary undertaking of Stena Line (UK) Limited.

(d) Turnover

Turnover principally comprises income receivable from charter hire and is evenly recognised over the period of the charter.

(e) Depreciation

Depreciation is provided on the cost of assets in use by the straight line method at a rate of 3.8% per annum so as to leave a 5% residual value over an estimated useful life of 25 years.

(f) Government grants

Grants related to expenditure on tangible fixed assets are credited to the profit and loss account over a period approximating to the lives of qualifying assets. Total grants receivable less the amounts credited to the profit and loss account at the balance sheet date are included in the balance sheet as deferred income.

(g) Leased assets

The capital cost of assets leased for substantially the whole of their estimated useful lives is included in tangible fixed assets with a corresponding liability within leasing liabilities.

P&O Stena Fantasia (FL) Limited
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Notes to the Financial Statements

Year Ended 31 December 1997

1 Accounting policies (continued)

(g) Leased assets

The excess of the lease payments over the recorded liability is treated as an interest charge, which is amortised to give a constant rate of charge on the remaining balance of the obligation.

These assets are depreciated in the same way as owned assets.

(h) Foreign currency

Monetary assets and liabilities expressed in foreign currency are translated at the exchange rate ruling at the year end. Exchange gains and losses on the above translations and conversion of foreign currency transactions arising in the ordinary course of trading are included in the profit and loss account.

(i) Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the financial statements, to the extent that it is probable that a liability will crystallise in the future.

2 Turnover

All turnover was derived from the charter of the MV "Stena Fantasia" to Stena Line (Short Sea) Limited. The vessel operated on the route between Dover and Calais throughout the year.

3 Directors' emoluments

The directors received no emoluments for services provided to the company during the year (1996: £nil). The remuneration of the chairman was £nil (1996: £nil).

4 Employees

The company does not employ any personnel directly but draws on the resources of other group undertakings for its business requirements at no charge.

P&O Stena Fantasia (FL) Limited
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Notes to the Financial Statements

Year Ended 31 December 1997

5 Net interest payable

	<u>1997</u> £000	<u>1996</u> £000
Interest payable:		
Bank loans	218	212
Loan from immediate parent undertaking	828	1,692
Loan from ultimate parent undertaking	-	1
Finance lease interest	1,969	2,043
Total interest payable	3,015	3,948
Interest receivable from ultimate parent undertaking	(117)	(469)
Other interest receivable	-	(6)
	2,898	3,473

Details of loans and the applicable interest rates are given in note 11.

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	<u>1997</u> £000	<u>1996</u> £000
Depreciation		
Assets held under finance leases	3,666	3,659
Government grant (note 10)	(22)	(16)

Auditors' remuneration is borne by Stena Line Limited and no charge is included in these financial statements.

7 Taxation on profit/(loss) on ordinary activities

	<u>1997</u> £000	<u>1996</u> £000
United Kingdom corporation tax at 33% based on profit/(loss) for year	-	-
Adjustment in respect of prior years	1,248	-
	1,248	-

No liability for UK corporation tax arose during the year to 31 December 1997 (1996: £nil) due to the availability of group relief from another group undertaking.

The adjustment in respect of prior years represents a payment received for tax losses surrendered to another group undertaking by way of group relief.

P&O Stena Fantasia (FL) Limited
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Notes to the Financial Statements

Year Ended 31 December 1997

7 Taxation on profit/(loss) on ordinary activities (continued)

No provision for deferred taxation has been included in these financial statements (1996: £nil). A deferred tax (liability)/asset which has not been recognised in these financial statements as it is unlikely to crystallise in the foreseeable future, amounted to:

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Capital allowances in excess of related depreciation	(283)	(351)
Other timing differences	(4,924)	897
	(5,207)	546

8 Tangible fixed assets

	Leased Ship MV "Stena Fantasia" £000
Cost at 1 January 1997	74,244
Additions during the year	30
Cost at 31 December 1997	74,274
Depreciation at 1 January 1997	19,870
Charge for the year	3,666
Depreciation at 31 December 1997	23,536
Net book value at 31 December 1997	50,738
Net book value at 1 January 1997	54,374

9 Debtors

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Falling due within one year:		
Amounts owed by fellow subsidiary undertaking	4,091	2,753
Amounts owed by ultimate parent undertaking	305	6,188
Prepayments and accrued income	821	935
	5,217	9,876

Amounts owed by the ultimate parent undertaking, Stena Line AB, represent an unsecured loan of £188,000 (1996: £5,719,000) together with accrued interest of £117,000 (1996: £469,000) which are repayable on demand. The loan plus accrued interest was novated to Stena Line (UK) Limited on 31 January 1998. Interest is receivable on these loans at the London Interbank Offered Rate plus a margin of 1% (1996: margin of 1%).

P&O Stena Fantasia (FL) Limited
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Notes to the Financial Statements

Year Ended 31 December 1997

10 Creditors: Amounts falling due within one year

	<u>1997</u> £000	<u>1996</u> £000
Bank loan	429	429
Finance lease liabilities	2,290	1,968
Amounts owed to immediate parent undertaking	19,343	16,300
Amounts owed to ultimate parent undertaking	1	-
Accruals and deferred income	911	892
	22,974	19,589

Amounts owed to the immediate parent undertaking, Stena Line (UK) Limited, at 31 December 1997 include an unsecured loan of £10,214,000 together with accrued interest of £77,000, which was repayable in full on 9 April 2002. Interest is payable on this loan at the London Interbank Offered Rate plus a margin of 1%. The loan was repaid on 6 March 1998.

Accruals and deferred income include £376,000 (1996: £398,000) of government grants received but not yet credited to the profit and loss account. These grants have been received from the Swedish National Board for Industrial and Technical Development. An amount of £22,000 (1996: £16,000) has been released to the profit and loss account during the year.

11 Creditors: Amounts falling due after more than one year

	<u>1997</u> £000	<u>1996</u> £000
Bank loan	-	429
Finance lease liabilities	25,794	28,084
Amounts owed to immediate parent undertaking	-	10,327
Amounts owed to ultimate parent undertaking	-	1
	25,794	38,841

The amounts owed to the immediate parent undertaking at 31 December 1996 represent an unsecured loan of £10,214,000 together with accrued interest of £113,000 (see note 10).

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Notes to the Financial Statements

Year Ended 31 December 1997

11 Creditors: Amounts falling due after more than one year (continued)

Finance lease liabilities and the bank loan are shown in detail below:

(a) Bank loan

Amounts due at 31 December 1997 are repayable as follows:

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Unsecured loans		
Between one and two years	-	429
	-	429
Within one year	429	429
	429	858

The above loan is unsecured and was repaid on 9 March 1998. Interest is payable on this loan at the London Interbank Offered Rate plus a margin of 1% (1996: margin of 1%).

(b) Finance lease liabilities

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Total capital amounts repayable:		
Within one year	2,290	1,968
Between one and two years	2,645	2,291
Between two and five years	10,411	9,131
After five years	12,738	16,662
	28,084	30,052
Less: capital amounts repayable within one year	(2,290)	(1,968)
Capital amounts repayable after more than one year	25,794	28,084

12 Capital and reserves

(a) Called up share capital

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Authorised, allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	1	1

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Notes to the Financial Statements

Year Ended 31 December 1997

12 Capital and reserves (continued)

(b) Reconciliation of movements in shareholders' funds

	<u>1997</u> £000	<u>1996</u> £000
Profit/(loss) for the financial year	1,364	(436)
Opening shareholders' funds	5,822	6,259
Closing shareholders' funds (attributable to equity interests)	7,186	5,823

13 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made.

	<u>1997</u> £000	<u>1996</u> £000
Expenditure contracted for	-	33
Expenditure approved by the directors but not contracted for	-	1
	-	34

14 Ultimate parent company and parent undertaking of larger group of which the company is a member

As at 31 December 1997 the company was a subsidiary undertaking of Stena Line AB, a company incorporated in Sweden and listed on the Stockholm Stock Exchange.

The largest group in which the results of the company are consolidated is that headed by Stena Line AB. The consolidated financial statements of that group are available from Stena Line AB, S-405 19 Gothenburg, Sweden.

The smallest group in which the results of the company are consolidated is that headed by Stena Line (UK) Limited, a company registered in England and Wales. The consolidated financial statements of this group are available from the Company Secretary, Stena Line (UK) Limited, Charter House, Park Street, Ashford, Kent TN24 8EX, United Kingdom.

The Sten A Olsson family, through the Stena AB Group and the Stena Metall Group, owns 53.2 per cent of the share capital and 78.6 per cent of the voting rights in Stena Line AB as at 31 December 1997, and is thereby the largest owner of Stena Line AB.

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Notes to the Financial Statements

Year Ended 31 December 1997

- 14 Ultimate parent company and parent undertaking of larger group of which the company is a member (continued)

Their holdings in Stena Line AB are summarised below:

	Share capital (%)	Voting rights (%)
The Stena AB Group	45.66	49.97
The Stena Metall Group	7.52	28.65
Total	53.18	78.62

In addition Stena International BV, a subsidiary undertaking of Stena AB, owns 54.6% of a convertible debenture loan for SEK 558 million, which has been issued by Stena Line AB and may be converted any time until 30 March 2001 when it falls due.