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Company Registration No.000073

FL006682

**THE ISLE OF MAN STEAM
PACKET COMPANY LIMITED**

Report and Financial Statements

31 December 1996

*Is Isle of Man
028307*



**Deloitte & Touche
Grosvenor House
66/67 Athol Street
Douglas
Isle of Man
IM99 1XJ**

**REPORT AND FINANCIAL STATEMENTS 1996**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J H Kelly
D G Benson
W Gilbey
H A C Ross
J B Sherwood
R T D Stott
D J O'Sullivan
R B M Quayle

SECRETARY

D H Grant

REGISTERED OFFICE

Imperial Buildings
Douglas
Isle of Man
IM99 1A7

AUDITORS

Deloitte & Touche
Grosvenor House
66/67 Athol Street
Douglas
Isle of Man
IM99 1XJ

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

ACTIVITY

The principal business of the Company and its subsidiaries is the operation of passenger and freight ferry services and ancillary activities. During the year the company became a wholly owned subsidiary of the Sea Containers group when that group acquired the remaining 56.1% of the share capital that it did not already own. As a result the company's shares ceased to be listed on the London Stock Exchange.

DIRECTORS

The present membership of the Board is set out on page 1. All the directors served throughout the year and to date with the following exceptions:

	Appointed	Resigned
D J O' Sullivan	2 May 1996	
R B M Quayle	2 May 1996	
N B Martin		2 May 1996
P Crellin		2 May 1996
D Dixon		2 May 1996

On 16 August 1996 N B Martin resigned as Company Secretary and D H Grant was appointed.

No directors held any shares at 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year amounted to £830,000 (1995 : profit of £731,000). The directors do not recommend a dividend (1995 : £1,725,000).

AUDITORS

During the year the directors appointed Deloitte & Touche as auditors to the company. Deloitte & Touche remain in office in accordance with Section 12(2) of the Companies Act 1982.

Approved by the Board of Directors
and signed on behalf of the Board

D H Grant

Secretary

10 february 1998

**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 the group as at the end of the financial year and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 1993. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Grosvenor House
PO Box 250
66/67 Athol Street
Douglas, Isle of Man
IM99 1XJ
British Isles

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AUDITORS' REPORT TO THE MEMBERS OF

ISLE OF MAN STEAM PACKET COMPANY LIMITED

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 3 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 in the United Kingdom. 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 and the group'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 affairs of the company and the group as at 31 December 1996 and of the profit for the year then ended, and have been properly prepared in accordance with the Companies Acts 1931 to 1993.

Chartered Accountants

10 February 1998


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £'000	1995 £'000
TURNOVER			
Continuing operations	2	27,901	28,587
Discontinued operations		-	686
Total turnover		27,901	29,273
Operating expenditure		(25,827)	(27,784)
Exceptional costs	3	(913)	(1,062)
OPERATING PROFIT	4	1,161	427
Interest receivable and similar income		567	430
Interest payable and similar charges	6	(208)	(270)
Profit on ordinary activities before taxation		1,520	587
Tax on profit on ordinary activities	7	(690)	144
Profit for the financial year		830	731
Dividends paid and proposed	16	-	(1,725)
Retained profit/(loss) for the financial year		830	(994)

As there are no recognised gains or losses or other movements in shareholders' funds for the current and prior financial periods except as stated in the profit and loss account, a statement of total recognised gains and losses and reconciliation of movements in shareholders' funds have not been produced.


STATEMENTS OF MOVEMENTS ON RESERVES
Year ended 31 December 1996

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
THE GROUP			
Balance at 1 January 1996	3,157	5,590	8,747
Profit retained for the year	-	830	830
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	3,157	6,420	9,577
	<hr/>	<hr/>	<hr/>
THE COMPANY			
Balance at 1 January 1996	3,157	5,777	8,934
Profit retained for the year	-	912	912
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	3,157	6,689	9,846
	<hr/>	<hr/>	<hr/>


CONSOLIDATED BALANCE SHEET
31 December 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	8	12,555	14,643
CURRENT ASSETS			
Stocks		237	411
Debtors	10	3,245	3,851
Cash at bank and in hand		9,946	8,049
		13,428	12,311
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(4,812)	(6,060)
NET CURRENT ASSETS		8,616	6,251
TOTAL ASSETS LESS CURRENT LIABILITIES		21,171	20,894
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(1,081)	(2,329)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(3,013)	(2,318)
		17,077	16,247
CAPITAL AND RESERVES			
Called up share capital	14	7,500	7,500
Revaluation reserves		3,157	3,157
Profit and loss account		6,420	5,590
Equity shareholders' funds		17,077	16,247

These financial statements were approved by the Board of Directors on 10 February 1998.

Signed on behalf of the Board of Directors

Director

D J O' Sullivan

Director

H A C Ross


GROUP CASH FLOW STATEMENT
31 December 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Net cash inflow from operating activities	17		3,907		5,376
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Bank interest received		567		430	
Bank interest paid		(1)		(1)	
Term loan interest		(207)		(269)	
Dividends paid		(1,200)		(1,650)	
Net cash outflow from returns on investments and servicing of finance			(841)		(1,490)
TAXATION					
Taxation paid			705		(718)
INVESTING ACTIVITIES					
Payments to acquire fixed assets		(610)		(845)	
Receipts from sales of fixed assets		538		392	
Net cash outflow from investing activities			(72)		(453)
Net cash inflow before financing			3,699		2,715
FINANCING					
Term loans - principal repaid	20	(1,802)		(722)	
Net cash outflow from financing			(1,802)		(722)
Increase in cash and cash equivalents	18		1,897		1,993


**BALANCE SHEET
31 December 1996**

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	8	12,006	14,002
Investments	9	580	580
		<u>12,586</u>	<u>14,582</u>
CURRENT ASSETS			
Stocks		237	411
Debtors	10	3,644	4,291
Cash at bank and in hand		9,673	7,720
		<u>13,554</u>	<u>12,422</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(4,788)</u>	<u>(6,011)</u>
NET CURRENT ASSETS		8,766	6,411
TOTAL ASSETS LESS CURRENT LIABILITIES		21,352	20,993
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	<u>(1,081)</u>	<u>(2,329)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(2,925)</u>	<u>(2,230)</u>
		<u>17,346</u>	<u>16,434</u>
CAPITAL AND RESERVES			
Called up share capital	14	7,500	7,500
Revaluation reserves		3,157	3,157
Profit and loss account		6,689	5,777
Equity shareholders' funds		<u>17,346</u>	<u>16,434</u>

These financial statements were approved by the Board of Directors on 10 February 1998.

Signed on behalf of the Board of Directors

Director

D J O' Sullivan

Director

H A C Ross

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1996**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with accounting standards applicable in the United Kingdom. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Depreciation

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets with the exception of the company's Ramsey property which is considered to be an investment property. The rates of depreciation are as follows:

Land and buildings

Freehold and long leasehold buildings	3 1/3% per annum
---------------------------------------	------------------

Investment properties

Investment properties comprise freehold and long leasehold interests which are held for their investment potential.

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of investment properties. The directors consider that as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Vessels and linkspans

The cost of such assets is written off on a straight line basis over an estimated useful life of 25 years from date of construction, assuming a residual value of 5% of cost at the end of that period.

Plant, equipment and vehicles

Plant, equipment and vehicles	10 - 25% per annum
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Deferred taxation

The deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
2. TURNOVER

Turnover comprises revenue from Passengers, Passenger and Freight Vehicles, Charters and sundries excluding VAT.

3. EXCEPTIONAL COSTS

	1996 £'000	1995 £'000
Severance Payments	394	727
Write down Provisions-		
King Edward Pier Linkspan	-	115
MV Belard	-	220
Bid defence costs	519	-
	<u>913</u>	<u>1,062</u>

The costs were incurred prior to the successful bid by Sea Containers for the remaining shares. They represent fees paid to advisors.

4. OPERATING PROFIT

Operating profit is after charging:	1996 £'000	1995 £'000
Depreciation	2,149	2,670
Directors' fees	50	50
(Loss) / profit on disposal of fixed assets	11	(17)
Rentals under operating leases	908	2,101
Auditors remuneration		
- Audit Services	-	27
- Other	-	13
	<u> </u>	<u> </u>

The remuneration of the auditors is being borne by Sea Containers Limited.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
5. AMOUNTS DUE TO PARENT UNDERTAKING - WRITTEN OFF

	1996 £'000	1995 £'000
Write off by parent company of amounts due from Mannin Line Limited	-	2,381
Write off by parent company of funds to be provided to meet remaining net liabilities of Mannin Line Limited	-	437
	<u>-</u>	<u>2,818</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £'000	1995 £'000
Bank overdraft and other borrowings	1	1
Loans	207	269
	<u>208</u>	<u>270</u>

7. TAXATION

	1996 £'000	1995 £'000
Isle of Man Income Tax at 20% (1995 : 20%)	-	328
Over provision from previous year	(15)	-
Overseas taxation/(credit)	10	-
Deferred tax charge/(credit)	695	(472)
	<u>690</u>	<u>(144)</u>

A provision for current year income taxation has not been made in these accounts due to the availability of first year allowances on the purchase of a new vessel in 1997


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
8. TANGIBLE FIXED ASSETS

The Group	Vessels	Linkspans	Land & Buildings	Plant equipment & Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
1 January 1996	22,254	2,866	3,089	2,956	31,165
Additions	245	47	3	315	610
Disposals	-	(1,514)	-	(45)	(1,559)
31 December 1996	22,499	1,399	3,092	3,226	30,216
Depreciation					
1 January 1996	13,069	1,725	91	1,637	16,522
Provided in year	1,643	102	91	313	2,149
Eliminated on disposals	-	(978)	-	(32)	(1,010)
31 December 1996	14,712	849	182	1,918	17,661
Net Book Value					
31 December 1996	7,787	550	2,910	1,308	12,555
31 December 1995	9,185	1,141	2,998	1,319	14,643
COMPANY					
Cost or valuation					
At 1 January 1996	22,254	1,467	3,089	2,956	29,766
Additions	245	47	3	315	610
Disposals	-	(1,514)	-	(45)	(1,559)
31 December 1996	22,499	-	3,092	3,226	28,817
Depreciation					
1 January 1996	13,069	967	91	1,637	15,764
Provided in year	1,643	11	91	313	2,058
Eliminated on disposals	-	(978)	-	(33)	(1,011)
At 31 December 1996	14,712	-	182	1,917	16,811
Net Book Value					
31 December 1996	7,787	-	2,910	1,309	12,006
31 December 1995	9,185	500	2,998	1,319	14,002

Included within the Group summary of 'Linkspans' is an asset held under a finance lease having a net book value at 31 December 1996 of £354,000 (1995-£412,000) and on which £58,000 (1995 - £58,000) of depreciation has been charged for the year.

Included in Land and Buildings is property situated at Ramsey which is considered to be an investment property within the definitions of Statement of Standard Accounting Practice No 19 and is carried at the year end at a valuation of £355,000 (1995: £355,000). A professional valuation of this investment property was carried out as at 16 January 1995. This valuation was incorporated in the financial statements for the year ended 31 December 1994. It is the opinion of the Directors that there has been no material change in the open market value of the investment property at Ramsey since January 1995.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
9. INVESTMENTS
Investment in subsidiaries

	Principal activity	1996 £'000	1995 £'000
Magic Holidays Limited 20,000 £1 Ordinary Shares fully paid.	Provision of package holidays	20	20
Mannin Line Limited 100 £1 Ordinary Shares fully paid	Provision of freight services	-	-
Manx Sea Transport Limited 200 £1 Ordinary Shares fully paid	Dormant	1	1
SPIOM Limited 100 £1 Ordinary Shares fully paid	Provision of shipping ancillary services to its parent	559	559
		<u>580</u>	<u>580</u>

All subsidiary companies are wholly owned and incorporated in the Isle of Man

10. DEBTORS

	The Group		The Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Trade debtors	2,260	3,198	2,202	3,135
Amounts owed by related undertakings				
- Due within one year	597	281	869	608
- Due after more than one year	-	-	221	190
Prepayments and accrued income	334	267	298	253
Pension fund prepayment	54	105	54	105
	<u>3,245</u>	<u>3,851</u>	<u>3,644</u>	<u>4,291</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Term loans (See note 12)	179	733	179	733
Trade creditors	1,553	2,727	1,545	2,267
Amounts owed to group undertakings	2,374	205	2,374	642
Other creditors including taxation and social security	344	301	334	301
Accruals and deferred income	362	894	356	868
Proposed dividend	-	1,200	-	1,200
	<u>4,812</u>	<u>6,060</u>	<u>4,788</u>	<u>6,011</u>

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Company 1996 £'000	Group and Company 1995 £'000
Term loans		
Isle of Man Government	1,260	1,409
Department of Trade and Industry	-	1,653
	<u>1,260</u>	<u>3,062</u>
Amounts falling due within one year (See note 11)	(179)	(733)
	<u>1,081</u>	<u>2,329</u>
The balance falling due after one year is payable as follows:		
Between one and two years	186	751
Between two and five years	645	1,096
Between five and seven years	250	482
	<u>1,081</u>	<u>2,329</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - CONTINUED
Isle of Man Government

These loans were received in 1973 and 1978 and relate to finance provided by the Isle of Man Government for the construction of a landing stage at Liverpool.

United Kingdom Department of Trade & Industry (DTI)

During the year the company repaid £1,653,214 which represented amounts due to the DTI. These loans were received between 1989 and 1991 in respect of renovations to the Lady of Mann and the King Orry.

The loans were repaid when the company became a wholly owned subsidiary of Sea Containers (IOM) Limited. The loans had been guaranteed by the company's banker, the Isle of Man Bank Limited who held security over the vessels.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	The Group		The Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	2,936	2,241	2,848	2,153
Capital allowance rollover relief	77	77	77	77
	<u>3,013</u>	<u>2,318</u>	<u>2,925</u>	<u>2,230</u>

14. CALLED UP SHARE CAPITAL

	1996	1995
	£'000	£'000
Authorised 30,000,000 Ordinary shares of 25p each	<u>7,500</u>	<u>7,500</u>
Called up, allotted and fully paid 30,000,000 Ordinary shares of 25p each	<u>7,500</u>	<u>7,500</u>

15. PROFIT OF PARENT COMPANY

The parent company's profit for the financial year amounted to £912,000 (1995: loss of £1,153,000).


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
16. DIVIDENDS

	1996 £'000	1995 £'000
Interim paid - 1.72p per ordinary share	-	525
Final paid - 4p per ordinary share	-	1,200
	<u>-</u>	<u>1,725</u>

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £'000	1995 £'000
Operating profit from continuing operations after Exceptional costs	1,161	1,384
Depreciation charges	2,149	2,539
Write-down provisions on fixed assets	-	335
(Profit)/loss on sale of fixed assets	11	(17)
(Increase)/decrease in stocks	174	(131)
Decrease/(increase) in debtors	(554)	228
Increase/(decrease) in creditors	966	1,464
Net cash inflow from continuing operations	<u>3,907</u>	<u>5,802</u>
Net cash (outflow) from discontinued operations	<u>-</u>	<u>(426)</u>
Net cash inflow from operating activities	<u>3,907</u>	<u>5,376</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

18. ANALYSIS OF CASH & CASH EQUIVALENTS DURING YEAR

	1996 £'000	1995 £'000
Balance at 1 January 1996	8,049	6,056
Net cash inflow	1,897	1,993
	<hr/>	<hr/>
Balance at 31 December 1996	9,946	8,049
	<hr/>	<hr/>

19. ANALYSIS OF CASH & CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £'000	1995 £'000
Cash at bank and in hand	13	17
Bank deposits	9,933	8,032
	<hr/>	<hr/>
	9,946	8,049
	<hr/>	<hr/>

20. ANALYSIS OF CHANGES IN FINANCING DURING YEAR

	Share Capital	Loans and Finance lease obligations	Share Capital	Loans and finance lease obligations
	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Balance at 1 January 1996	7,500	3,062	7,500	3,784
Cash outflow from financing	-	(1,802)	-	(722)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	7,500	1,260	7,500	3,062
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due within one year	-	(179)	-	(733)
	<hr/>	<hr/>	<hr/>	<hr/>
	7,500	1,081	7,500	2,329
	<hr/>	<hr/>	<hr/>	<hr/>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
21. CAPITAL COMMITMENTS

	The Group		The Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Contracted for but not yet provided	324	63	324	63
Authorised but not yet contracted for	460	47	460	47

22. CONTINGENT LIABILITIES

Bonds have been issued on behalf of the group to satisfy the licence conditions of the Civil Aviation Authority and the Passenger Shipping Association. The total of these bonds was £ 217,600 at 31 December 1996.

23. STAFF PENSION FUND

The company operates a Privately Invested Pension Fund of the defined benefit type. The assets of the scheme are held in separate trustee funds administered by Isle of Man Bank Limited.

The scheme is subject to valuation by independent actuaries, the last valuation being carried out as at 31 March 1995, using the projected unit credit method in which the actuarial liability makes allowances for projected earnings.

The following actuarial assumptions were applied :

Investment returns	9%
Salary growth	7%
Pension increases	4%

At the last actuarial valuation date, the market value of the assets was £11,504m and this actuarial value was sufficient to cover 102% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The fund is financed by members contributions of 6% of fund salaries and company contributions of 11% of fund salaries. The company contributions were reduced to 6% for the five year period from April 1990 to March 1995.

Prepayments include £53,645 (1995 : £105,035) being the excess of the amounts funded over the excess of accumulated pension costs.

A number of employees participate in other pension schemes. The majority of these participate in the Merchant Navy Officers Pension Fund or the Merchant Navy Ratings Pension Fund.

The company pays employers contributions to both of these schemes.

24. USER AGREEMENT WITH THE ISLE OF MAN GOVERNMENT

The company remains bound to the terms of the user agreement which was signed on 19 September 1995. The agreement shall be for 10 years. It is renewable for a further 5 years at the discretion of either party.

The main rights and obligations are as follows:

- The Government has granted the company sole user rights on the Government owned linkspan situated at King Edward Pier, Douglas. These rights are subject to a restricted number of specialist, one-off and non-company services.

**NOTES TO THE ACCOUNTS****Year ended 31 December 1996**

- The company has guaranteed minimum levels of service based on 1995 schedules and minimum levels of investment. The group shall invest a minimum of £20 million in vessels over the duration of the agreement with £14 million of that investment in the first seven years.

- Fare level increases above the Manx Retail Price Index less 0.5% may be referred to binding independent arbitration at the request of the Government.

25. LIABILITIES AND CHARGES

There is a charge over all the assets of the company in favour of the Bank of Boston.

26. RELATED PARTY DISCLOSURE

The company is a wholly-owned subsidiary undertaking and is thus exempt from the disclosure requirements of Financial Reporting Standard 8, "Related Party Disclosures", in accordance with paragraph 3 (c) of the Standard.

27. CONTROLLING PARTY AND ULTIMATE CONTROLLING PARTY

The company is incorporated in the Isle of Man and is a wholly owned subsidiary of Sea Containers (IOM) Limited, incorporated in the Isle of Man. The directors consider the ultimate parent undertaking to be Sea Containers Limited, incorporated in Bermuda. Copies of the accounts of Sea Containers Limited can be obtained from its registered office at 41 Cedar Avenue, PO Box 1189, Hamilton, Bermuda.

Sea Containers (IOM) Limited is considered to be the controlling party of the company. The ultimate controlling party is considered to be Sea Containers Limited.