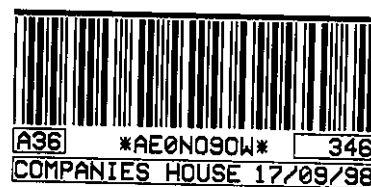


LONHAM GROUP LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 1997
COMPANY NO. 1679607



LONHAM GROUP LIMITED

DIRECTORS' REPORT

The directors present the audited financial statements for the year ended 31st December 1997

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were underwriting, claims handling and consultancy work within the marine insurance industry.

DIRECTORS AND THEIR INTERESTS

The directors at any time during the year and as at 30th June 1998 were as follows:-

G C Gray (resigned 27th February 1998)

C E M Battistello (resigned 27th February 1998)

J P Mawson

G J Fraser (appointed 27th February 1998)

The directors had no interest in the shares of the company or parent company at any time during the year.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LONHAM GROUP LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

By mutual agreement, Ensors resigned as auditors during the year, and the directors appointed Price Waterhouse to fill the resultant vacancy.

Advantage is taken of the exemptions conferred by Parts I & II of Schedule 8 to the Companies Act 1985. In the directors' opinion, the company is entitled to those exemptions having met the qualifications for a small company specified in Sections 246 and 247 of the Companies Act 1985.

By order of the board

M.C. Wright

M C WRIGHT
Secretary

Contship House
Neptune Quay
IPSWICH IP4 1AX

30th June 1998

AUDITORS' REPORT

TO THE SHAREHOLDERS OF LONHAM GROUP LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of certain properties and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue to generate sufficient income to meet its fixed costs. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable for small companies.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants and

Registered Auditors

Southwark Towers

32 London Bridge Street

London SE1 9QL

LONHAM GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1997

	<u>Notes</u>	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
TURNOVER	2	962,925	908,130
Administrative expenses		(736,209)	(702,576)
Revaluation of building		<u>(163,432)</u>	<u>-</u>
OPERATING PROFIT	3	63,284	205,554
Interest receivable		8,646	3,644
Interest payable	5	<u>(12,266)</u>	<u>(13,691)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		59,664	195,507
Taxation on ordinary activities	6	<u>14,730</u>	<u>(82,440)</u>
PROFIT FOR THE YEAR AFTER TAXATION		74,394	113,067
Dividend	7	<u>-</u>	<u>(200,000)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR	15	<u><u>74,394</u></u>	<u><u>(86,933)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses for either year other than those shown above.

<u>NOTE OF HISTORICAL COST PROFIT AND LOSSES</u>	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Reported profit on ordinary activities before taxation	59,664	195,507
Revaluation of building	<u>163,432</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation	<u><u>223,096</u></u>	<u><u>195,507</u></u>

The notes on pages 6 to 11 form part of these financial statements.

LONHAM GROUP LIMITED

BALANCE SHEET

As at 31st December 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
<u>FIXED ASSETS</u>			
Tangible assets	8	147,881	315,019
Investments in subsidiary undertakings	9	4	4
		<u>147,885</u>	<u>315,023</u>
<u>CURRENT ASSETS</u>			
Debtors	10	1,299,773	887,125
Cash at bank and in hand		<u>202,769</u>	<u>159,042</u>
		1,502,542	1,046,167
<u>CREDITORS: amounts falling due within one year</u>			
Borrowings	11	(31,569)	(27,950)
Other Creditors	12	<u>(1,253,733)</u>	<u>(1,008,988)</u>
		217,240	9,229
<u>NET CURRENT ASSETS</u>			
		365,125	324,252
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
<u>CREDITORS: amounts falling due in more than one year</u>			
Borrowings	11	<u>(93,866)</u>	<u>(127,387)</u>
		<u>271,259</u>	<u>196,865</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	14	10,000	10,000
Profit and loss account	15	<u>261,259</u>	<u>186,865</u>
<u>SHAREHOLDERS' FUNDS - Equity Interests</u>	15	<u>271,259</u>	<u>196,865</u>

Approved by the board 30th June 1998

J P MAWSON

G J FRASER


Directors


The notes on pages 6 to 11 form part of these financial statements.

LONHAM GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1997

1 ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with applicable accounting standards on the historical cost basis (as modified by the revaluation of certain properties).

The company has taken advantage of the exemption from preparing group financial statements (under Section 228 of the Companies Act 1985) as it is included in the group financial statements of Contship Holdings Limited.

Subsequent to the year end it has been agreed in principle that the company will be acquired by certain members of the management ("the management buy-out team"). It will no longer enjoy the financial support of the CP Ships Holdings Inc. Group should it have been necessary. Some of its business was previously sourced from the CP Ships Holdings Inc. Group and it is not intended that this will continue. The management buy-out team has taken action to reduce the fixed costs of the business and to develop additional sources of revenue. The company's ability to continue in operation will be dependent on the success of its business plan and on the proposed financial support of a strategic business partner. The directors are aware of projected cash flow information prepared by the management buy-out team for the period ending 30 June 1999 from the date of their approval of these financial statements. Having regard to this information and the level of financial support available from the strategic business partner, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Fixed assets and depreciation

Fixed assets are held at cost except for properties which are held at valuation; in previous years this item was held at cost.

Depreciation is provided on a straight line basis at rates sufficient to write off the cost of each asset over its expected useful life.

The useful life of each category of assets is as follows:

Freehold land and building	-	50 years
Office equipment	-	3 years
Motor vehicles	-	4 years

Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

Insurance commission earned

Insurance commission is credited to the profit and loss account in respect of premiums at the inception of the insurance policy and claims are paid when agreed by the insurance company.

LONHAM GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1997 (continued)

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transactions. All differences are taken to the profit and loss account in arriving at operating profit.

Pension costs

Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Operating leases

Rentals paid under operating leases are charged to income as incurred. Further information on charges in the year and future commitments is given in notes 3 and 17.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

2. TURNOVER

Turnover is stated net of value added tax and represents commissions earned on insurances arranged and fees for the handling of claims and consultancy work.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	<u>1997</u>	<u>1996</u>
Directors' remuneration (including pension contributions)	75,656	72,012
Auditors' remuneration	5,365	4,560
Depreciation	43,913	45,627
Permanent diminution in freehold land and building (note 8)	163,432	-
Exchange losses	5,770	24,934
Profit on disposal of fixed assets	(85)	-
Operating lease rentals - Office equipment	2,827	1,982
- Motor vehicles	1,089	12,028
	<u>507,389</u>	<u>397,451</u>

4. STAFF COSTS

Employee costs during the year amounted to:

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Wages and salaries	425,633	341,017
Social security costs	38,580	21,439
Other pension costs	43,176	34,995
	<u>507,389</u>	<u>397,451</u>

The average weekly number of employees during the year was 22 (1996: 18).

5. INTEREST PAYABLE

All interest payable relates to a mortgage repayable over 25 years from date of inception (see note 11).

LONHAM GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31st December 1997 (continued)****6. TAXATION ON ORDINARY ACTIVITIES**

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Based on the profit for the year:		
UK corporation tax at 31.5% (1996: 33%)	(75,414)	(82,440)
Relief claimed for losses of group undertaking	75,414	-
	<u>-</u>	<u>(82,440)</u>
Corporation tax overprovided in earlier year	14,730	-
	<u>14,730</u>	<u>(82,440)</u>

7. DIVIDEND

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Dividend on ordinary shares:		
Final paid	<u>-</u>	<u>200,000</u>

8. TANGIBLE FIXED ASSETS

	<u>Freehold land & building</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost or valuation</u>				
At 1st January 1997	300,610	169,347	35,048	505,005
Additions	-	21,413	18,914	40,327
Revaluation	(163,432)	-	-	(163,432)
Disposals	-	(2,728)	-	(2,728)
At 31st December 1997	<u>137,178</u>	<u>188,032</u>	<u>53,962</u>	<u>379,172</u>
<u>Depreciation</u>				
At 1st January 1997	41,166	131,091	17,729	189,986
Charge for the year	6,012	28,843	9,058	43,913
Disposals	-	(2,608)	-	(2,608)
At 31st December 1997	<u>47,178</u>	<u>157,326</u>	<u>26,787</u>	<u>231,291</u>
<u>Net book amount</u>				
At 31st December 1997	<u>90,000</u>	<u>30,706</u>	<u>27,175</u>	<u>147,881</u>
At 31st December 1996	<u>259,444</u>	<u>38,256</u>	<u>17,319</u>	<u>315,019</u>

The comparable amounts in respect of the Freehold land and building, included above at valuation, determined according to the historical cost accounting rules are as follows:

	<u>£</u>
Cost	300,610
Accumulated depreciation	47,178
<u>Net book amount</u>	
At 31st December 1997	<u>253,432</u>
At 31st December 1996	<u>259,444</u>

The Freehold land and building was revalued by Fenn Wright, Chartered Surveyors, on the basis of the open market value as at 31st December 1997.

LONHAM GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1997 (continued)

9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The investments in subsidiary undertakings (£4) are shown at cost and consist of a 100% interest in both Lonham Marine Underwriters Limited and Lonham Claims and Recovery Bureau Limited. Both companies are incorporated in England and Wales and neither company has traded since incorporation. Aggregate capital and reserves of each company equates to the cost of investment.

It is therefore the opinion of the directors that the value of the subsidiary investment is not less than the aggregate amount at which it is shown in the balance sheet of Lonham Group Limited.

10. DEBTORS

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade debtors	1,236,318	839,932
Amounts owed by group undertakings	35,560	19,723
Other debtors	27,895	27,470
	<u>1,299,773</u>	<u>887,125</u>

11. BORROWINGS

Borrowings comprise a mortgage bearing variable interest currently at approximately 8% per annum, repayable by instalments over 25 years from the date of inception.

The mortgage is secured on the freehold property.

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Due within Five Years:		
Within one year	31,569	27,950
Between one to two years	32,670	29,957
Between two to five years	61,196	97,430
	<u>125,435</u>	<u>155,337</u>

12. OTHER CREDITORS: amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade creditors	1,160,015	870,452
Amounts owed to group undertakings	60,944	16,934
Other creditors	32,774	39,162
UK corporation tax	-	82,440
	<u>1,253,733</u>	<u>1,008,988</u>

LONHAM GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31st December 1997 (continued)****13. DEFERRED TAXATION**

	<u>1997</u>		<u>1996</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Excess of capital allowances over depreciation	-	(12,419)	-	(10,114)
Other timing differences	-	(227)	-	(241)
	<u>-</u>	<u>(12,646)</u>	<u>-</u>	<u>(10,355)</u>

14. SHARE CAPITAL

**31st December 1997
and 31st December 1996**

Authorised:

45,000 ordinary shares of £1 each £45,000

Allotted, called up and fully paid:

10,000 ordinary shares of £1 each £10,000

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total Shareholders' Funds</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance at 1st January 1996	10,000	273,798	283,798
Profit for the year	-	113,067	113,067
Dividend Paid	-	(200,000)	(200,000)
Balance at 31st December 1996	10,000	186,865	196,865
Profit for the year	-	74,394	74,394
Balance at 31st December 1997	<u>10,000</u>	<u>261,259</u>	<u>271,259</u>

16. PENSION COMMITMENTS

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund during the year and amounted to £43,176 (1996 : £34,995). Outstanding contributions at the year end amounted to £9,053 (1996: £8,847).

Certain employees of the company are members of a group defined benefit pension scheme operated by Contship Containerlines Limited, an intermediate parent company. Appropriate disclosures relating to the scheme are made in the accounts of that company.

17. OBLIGATIONS UNDER OPERATING LEASES

The amounts payable over the next year are as follows:

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
On contracts due to expire:		
Within one year	2,156	1,184
Between one to two years	-	2,152
	<u>2,156</u>	<u>3,336</u>

LONHAM GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1997 (continued)

18. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £5,000
(1996: £20,000)

19. CASH FLOW STATEMENT

The company has not prepared a cash flow statement under the exemption contained in FRS1 (Revised) "Cash Flow Statements" applicable to a wholly owned subsidiary undertaking. A consolidated cash flow statement is included in the accounts of the ultimate parent undertaking Canadian Pacific Limited.

20. RELATED PARTIES

The company is a wholly owned subsidiary of Contship U.K. Limited.

The intermediate parent company, for which group financial statements are prepared, is Contship Holdings Limited. Accounts are available from its registered office:
62-65 Trafalgar Square, London WC2N 5DY.

The company regarded by the directors as the ultimate parent company is Canadian Pacific Limited (incorporated in Canada). Accounts are available from
1800 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta T2P 4Z5.

The company, as a wholly owned subsidiary undertaking, has taken advantage of the exemption contained in FRS 8 from disclosure of transactions and balances with group undertakings.