

## Financial information on Norse Merchant Ferries

1. Norse Merchant Ferries is owned by Norse Merchant Group Limited (Norse Merchant Group), a privately-owned UK registered company formed as part of the restructuring of its previous owner, Cenargo International plc (Cenargo). Cenargo originated in 1979 as a shipbroking business. It moved into the ro/ro ferries business in 1982.
2. Norse Merchant Ferries was formed out of the merger of Merchant Ferries (operated since 1986), Belfast Freight Ferries (acquired 1998) and Norse Irish Ferries (acquired 1999). Norse Merchant Ferries is now the trading name of Merchant Ferries Plc and Norse Irish Ferries plc, Belfast Freight Ferries having been absorbed within Merchant Ferries plc.
3. In 1998 Cenargo issued a high yield \$175m bond in the USA, with a coupon rate of 9.75 per cent. It defaulted on interest payments in 2002 and filed for protection under Chapter 11 of the Bankruptcy Code in the USA (Chapter 11) which was granted on 14 January 2003. However, after action by UK-based creditors, the US court deferred to the UK and the company was placed under a UK administration order. The Chapter 11 order was lifted on 23 September 2003. A company voluntary arrangement (CVA) was agreed in November 2003, and the shipping subsidiaries of Cenargo emerged from administration in December 2003 as part of the restructured Norse Merchant Group.
4. Under the CVA, the bond was converted into equity in Norse Merchant Group, and Cenargo liquidated. The major shareholder in Norse Merchant Group is now CFSC Wayland Advisors, previously the largest bondholder in Cenargo.
5. Since entering Chapter 11, the bondholders have sought to divest non-core assets such as those within transportation and logistics. There are now three business areas: the Irish Sea ferries business (Norse Merchant Ferries), a ship chartering business and a ferry business between Spain and Morocco. Mr Derek Sloan has been appointed as the new managing director of Norse Merchant Group. He was previously chief executive officer of Norfolkline, the ferry and logistics company owned by the Danish company, A P Moller. No changes were made to the management of Norse Merchant Ferries. [



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6. Norse Merchant Ferries told us that following the reconstruction, interest charges would reduce considerably and that this would bring the organization back to profitability. It said that the full year effect of changes made in 2003 to improve capacity utilization and reduce operating costs, combined with the reduced interest charges, would see the business turn a corner in 2004.
7. Norse Merchant Ferries provided us with estimated EBIT and assets employed figures for 2003 on a route by route basis, as shown in Table 1, which we used to calculate an approximate return on assets employed for each route. [



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The return on assets across the Irish Sea business as a whole was [%] per cent.

TABLE 1 Norse Merchant Ferries: return on assets, 2003

	<i>EBIT</i> £m	<i>Assets employed</i> £m	<i>Return</i> %
Liverpool–Dublin	(	✂	)
Liverpool–Belfast			
Heysham–Dublin			
Heysham–Belfast			
Total all routes			

Source: CC based on data from Norse Merchant Ferries.

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9. Norse Merchant Ferries told us that it projected EBITDA of £[✂] million on turnover of £[✂] million for its Irish Sea business in 2004.