

SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

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Exhibits Index

The following is a list of Exhibits included as part of this Report on Form 6-K.

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10.2 Revised 2003 Annual Information Form	5

Exhibit 10.2

REVISED 2003 ANNUAL INFORMATION FORM

CP SHIPS
REGIONAL FOCUS o GLOBAL SCALE

CP SHIPS LIMITED

REVISED 2003 ANNUAL INFORMATION FORM

As of 3rd September 2004

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FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF") and the documents incorporated by reference into it contain certain forward-looking information and statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 relating, but not limited, to operations, anticipated or prospective financial performance, results of operations, business prospects and strategies of CP Ships Limited ("CP Ships"). These statements can be found in General Development of the Business (Trends), Narrative Description of the Business (Strategy, Ship Replacement Program) and elsewhere in this document. Forward-looking information typically contains statements with words such as "consider," "anticipate," "believe," "expect," "plan," "intend," "likely" or similar words suggesting future outcomes or statements regarding an outlook on future changes in volumes, freight rates, costs, achievable cost savings, the estimated amounts and timing of capital expenditures, anticipated future debt levels and incentive fees or revenue, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements.

Although CP Ships believes it has reasonable basis for making the forecasts or projections included in this AIF, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information of CP Ships involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, changes in business strategies; general global, political and economic and business conditions, including the length and severity of any economic slowdown in the countries and regions where CP Ships operates, including seasonality, particularly in the United States, Canada, Latin America, Australasia, Asia and Europe; the effects of competition and pricing pressures; industry over-capacity; changes in demand for container shipping; availability and cost of chartered ships; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws; difficulties in implementing a cost savings program; currency exposures and exchange rate fluctuations, fuel price and interest rate fluctuations; changes in access to capital markets and other sources of financing; various events which could disrupt operations, including war, acts of terrorism, severe weather conditions and external labour unrest, all of which may be beyond CP Ships'

insurance coverage; compliance with security measures by governmental and industry trade practise groups and CP Ships' anticipation of and success in managing the risks associated with the foregoing.

The above list of important factors affecting forward-looking information is not exhaustive. CP Ships undertakes no obligation, except as required by law, to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the above list of factors affecting this information.

NOTE TO READERS

On 16th August 2004, CP Ships restated its financial statements for the years ended 31st December 2003 and 2002 to reflect increases in container shipping costs and reductions in revenues and net income. This AIF has been amended to reflect the restatement. The information contained in the AIF is as of 31st December 2003 (as restated), unless otherwise indicated.

CURRENCY EXCHANGE RATES

Unless otherwise specified, the financial information relating to CP Ships contained in this AIF is expressed in U.S. dollars (US\$). Certain financial information originates in currencies other than U.S. dollars and has been converted into U.S. dollars based on prevailing exchange rates, except for financial information extracted from the consolidated financial statements of CP Ships.

The following tables set out, for each period indicated, the high, low, average and period end exchange rate for U.S. dollars expressed in Canadian dollars (C\$) based on the noon buying rate in New York City as certified by the New York Federal Reserve Bank for customs purposes:

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	12 months ended 31st December		
	2003	2002	2001
	----	----	----
<S>	<C>	<C>	<C>
Canadian dollars per U.S. dollar			
High in the period	1.5750	1.6128	1.6023
Low in the period	1.2923	1.5108	1.4933
Rate at end of period	1.2923	1.5800	1.5925
Average rate for the period(1)	1.4013	1.5704	1.5487
		2004	

	March	February	January
	----	-----	-----
Canadian dollars per U.S. dollar			
High in the period	1.3480	1.3442	1.3340
Low in the period	1.3080	1.3108	1.2690
Rate at end of period	1.3100	1.3405	1.3265

</TABLE>

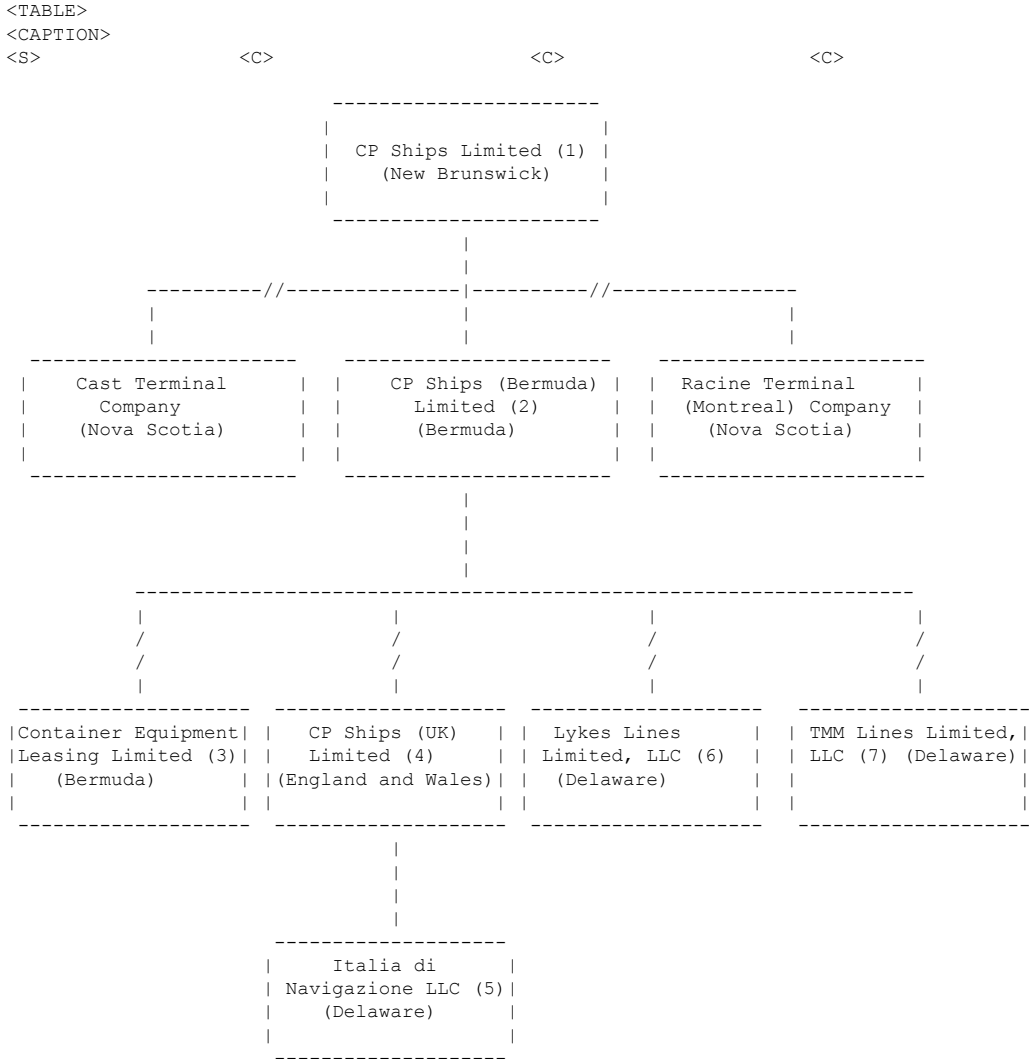
 (1) The average of the exchange rate on the last day of each month during the period.

On 31st March 2004, the noon buying rate in New York City as certified by the New York Federal Reserve Bank for customs purposes was C\$1.31 per \$1.00.

CORPORATE STRUCTURE

CP Ships subsists under the New Brunswick Business Corporations Act (Corporation number 515878). The registered office of CP Ships is located at Brunswick House, 44 Chipman Hill, Saint John, New Brunswick, Canada E2L 4Z6. The head office of CP Ships is located at 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0PA, United Kingdom and its telephone number is +44-1293 866200.

The diagram below illustrates the corporate structure of CP Ships including CP Ships' principal subsidiaries, all of which are wholly owned, directly or indirectly, and their jurisdiction of incorporation. Certain subsidiaries of CP Ships which are not material to its business have not been included in this chart.



</TABLE>

- (1) CP Ships owns a 100% interest in Racine Terminal (Montreal) Company and Cast Terminal Company indirectly through CP Ships (Canada) Holdings Company, which is incorporated in Nova Scotia.
- (2) CP Ships (Bermuda) Limited holds a 100% interest in (i) CP Ships (UK) Limited indirectly through three intermediate holding companies, one of which is incorporated in Bermuda and the other two in England and Wales,

- (ii) TMM Lines Limited, LLC and Lykes Lines Limited, LLC indirectly through two intermediate holding companies incorporated in Bermuda.
- (3) Owns and leases CP Ships' containers.
- (4) Services are marketed under the following brands: Canada Maritime, Cast, Contship Containerlines and ANZDL.
- (5) Services are marketed under the Italia Line brand.
- (6) Services are marketed under the Lykes Lines brand.
- (7) Services are marketed under the TMM Lines brand.

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GENERAL DEVELOPMENT OF THE BUSINESS

On 1st October 2001, CP Ships' former parent, Canadian Pacific Limited ("CPL"), reorganized and divided into five separate companies. As a result, CP Ships became an independent publicly listed company on the Toronto Stock Exchange ("TSX") and New York Stock Exchange ("NYSE") on 3rd October 2001. CP Ships' maritime roots date back to 1886 when CPL established a marine service to Asia to generate volume for the Pacific terminal of its newly completed trans-Canada railway. CPL began operating a shipping business on the Atlantic in 1903. In 1968, CPL reorganized its North Atlantic shipping operations to concentrate on container services and in 1984, co-founded Canada Maritime, purchasing the minority interest in 1993.

Since 1993, CP Ships has grown substantially both through organic growth and through strategic acquisitions where it has established a record of successfully improving the operations and the profitability of acquired businesses. CP Ships focuses on maintaining and improving results of acquired businesses by increasing volumes, enhancing operating efficiencies, reducing costs, improving the organization and building brand strength.

Significant Acquisitions

Since 1993, CP Ships has successfully completed the nine acquisitions listed below. The remarks include the condition of each business at the time of acquisition. Other than Ivaran Lines and CCAL, which have been merged into Lykes Lines, each of the other acquired businesses continues as a significant brand in CP Ships' current operations.

<TABLE>

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Year	Acquisition	Remarks
----	-----	-----
<S>	<C>	<C>
1993	Canada Maritime	Purchase of 43% minority
1995	Cast	Bankrupt
1997	Lykes Lines	Bankrupt
1997	Contship Containerlines	Profitable
1998	Ivaran Lines	Unprofitable
1998	ANZDL	Profitable
1999	TMM Lines	Unprofitable; 50/50 joint venture
2000	TMM Lines	Acquired the remaining 50%
2000	CCAL	Small
2002	Italia Line	Breakeven

</TABLE>

In January 1993, CP Ships acquired the 43% minority interest in Canada Maritime which it did not already own. This acquisition permitted it to plan more effectively as the sole shareholder.

In April 1995, Cast was acquired out of a bankruptcy proceeding. A new management team was appointed and Cast's service offering and organization were revitalized. Both Canada Maritime and Cast operate services on the TransAtlantic market between Europe and Montreal, serving the U.S./Canada market.

CP Ships acquired Lykes Lines in July 1997, also out of bankruptcy. This acquisition extended its TransAtlantic coverage to the U.S. East and Gulf Coasts. The same management team that had turned around Cast restructured Lykes Lines' services, repositioned its marketing strategy, reorganized the management structure and implemented cost reduction programs.

The acquisition of Contship Containerlines in October 1997 provided CP Ships with a platform to enter other markets, principally Australasia. Contship Containerlines' Gulf-Mediterranean service complemented Lykes Lines' service in that trade lane. Contship Containerlines also operates Round-the-World Services.

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Ivaran, which was acquired in May 1998, extended CP Ships' coverage to the U.S. East Coast and Gulf Coast-South America trade lanes. This acquisition permitted it to secure trade lane economies of scale and cost synergies. The Ivaran brand name was replaced by Lykes Lines in 2000.

In December 1998, CP Ships acquired ANZDL, the market leader in the U.S. West Coast-Australasia trade lane. ANZDL also offered CP Ships improved economies of scale and operating and cost synergies in the Australasian market.

In January 1999, CP Ships formed the Americana Ships joint venture with Transportacion Maritima Mexicana SA de CV ("TMMsa") in order to create a strong regional competitor in the U.S. Gulf, Mexico, Central and South American trade lanes. The 50/50 joint venture combined services in this region, Lykes Lines and Ivaran Lines, with TMM Lines, the container shipping business of TMMsa. Effective 1st January 2000, CP Ships acquired TMMsa's 50% interest in the Americana Ships joint venture.

In August 2000, CP Ships purchased Christensen Canadian African Lines ("CCAL"), which provides services between Montreal and the U.S. East Coast and South Africa, building on Lykes Lines' position in the South Africa trade lane. CCAL now operates under the Lykes Lines brand name.

In August 2002, CP Ships acquired from d'Amico Societa di Navigazione S.p.A. and others all of the issued and outstanding shares of Italia di Navigazione S.p.A., an Italian company headquartered in Genoa, Italy. Italia Line operated services between the Mediterranean-West Coast North America, Mediterranean-Central and South America, West Coast North America-West Coast Central and South America, and Intra-Central and South America. On 31st January 2004, the registered office of Italia was moved to Delaware, USA and the name changed to Italia di Navigazione LLC.

Trends

Between 1996 and 1998, container shipping capacity grew faster than demand for container shipping services. This situation, coupled with the Asian economic crisis in 1998, caused a sharp decline in industry profitability in 1998. In 1999, improved container volumes due to higher demand, combined with lower deliveries of new ship capacity, led to an improved balance between supply and demand and to higher freight rates, particularly in the Asian export markets. In 2000, stable freight rates and a further improved balance between supply and demand generally resulted in substantially improved profitability among carriers. Since the Asian economic crisis in 1998, the industry has demonstrated a greater willingness to rationalize services on all trade lanes, mainly through joint service agreements and slot charter agreements. Carriers also successfully adjusted to deregulation of the industry in the United States that occurred in 1998. In 2001, growth in global container shipping capacity outpaced the 3.8% growth in international container trade growth which was adversely affected by the global economic slowdown, particularly in the U.S. These combined factors had a negative impact on the industry's profitability in 2001. In 2002, global container capacity growth grew at 10.4% and growth in international container trade grew at 10.2%, narrowing the gap between supply and demand.

In 2003 global container capacity growth was 9.4% with strong growth in international container trade at 12.1%, driven by growth in the Asian markets. This strong demand led to improved trading conditions in 2003 and improved industry profitability.

CP Ships recorded an improvement in profits(1) during 2003 despite significant pressure on costs and strong competition in most of our trade lanes. Both volume and revenue were CP Ships records. Container carryings at 2.2 million teu were 9% higher than 2002, reflecting strong growth in TransAtlantic, Latin America and Asia, partly offset by lower volume in Australasia. Revenue(1) at \$3.13 billion was 16% higher than \$2.69 billion in 2002. The average freight rate, which excludes inland transport and slot charter revenue, increased 7% in 2003 due to better market conditions in most trade lanes. These improvements were partially offset by higher operating costs. Cost per teu for 2003 was up by 7% compared to 2002 due mainly to three factors: firstly, the estimated net effect of the weaker US\$ was adverse by \$57 million; secondly, fuel costs

(1) As restated (see Note 6 under the heading to Selected Consolidated Financial Information for further information).

were up \$71 million, of which \$38 million was from higher price; thirdly, charters for 26 ships were renewed in 2003, nearly all at higher rates with an estimated adverse impact of \$17 million. The annualized effect of these charter renewals is \$34 million. Other operating expenses including terminal and inland

transport were also higher due to price inflation. The overall increase was partly offset by the cost reduction program.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

CP Ships is one of the world's leading container shipping companies, offering its customers door-to-door as well as port-to-port containerized services for the international transportation of a broad range of industrial and consumer goods, including raw materials, semi-manufactured and finished goods. It operates a fleet of 80 ships in 22 trade lanes focusing on four principal markets. In 2003, the Company transported 2.2 million twenty foot equivalent units ("teu"), the standard measure of volume in the industry, on behalf of approximately 23,700 customers. Based on standing capacity, CP Ships ranks as the eleventh largest carrier in the world, giving it the economies of scale available to global carriers.

In 2003, the Company had revenue(1) of \$3.13 billion and EBITDA(1,2) of \$221 million before an exceptional charge of \$10 million related to its organizational restructuring in Europe.

CP Ships is a regional specialist that offers direct services to a wider range of ports within a particular market than is generally offered by global carriers. This approach, together with its global scale, allows it to provide customers with the local expertise and market presence of a regional specialist combined with many of the operating advantages of a global carrier. CP Ships provides scheduled services in its four principal markets: TransAtlantic, Australasia, Latin America and Asia, which it serves through seven well-recognized brands: Canada Maritime, Cast, Contship Containerlines, ANZDL, Lykes Lines, TMM Lines and Italia Line.

CP Ships operates in an industry whose annual volume growth has on average exceeded global gross domestic product growth by two to three times over the last 20 years. Since its introduction in the 1950's, the container shipping industry has facilitated world trade because of its simplicity, efficiency and low cost, becoming an integral part of the global sourcing strategies for many of the world's major manufacturers and retailers.

Over the last seven years, CP Ships considers it has outperformed, on the basis of return on capital employed ("ROCE"), in both weak as well as strong market conditions, the average ROCE of those carriers in the top 20 for which data is publicly available, due to its business model based on its competitive strengths and strategy which are discussed below.

Competitive Strengths

CP Ships considers it has the following strengths which allow it to compete successfully:

Leading market position. CP Ships believes it is the largest carrier based on market share in a majority of its 14 core trade lanes. This leading market position has been achieved by focusing on customers and customer service through its well-recognized and highly-regarded brands.

Regional focus. The Company's regional focus provides more reliable and frequent service schedules, flexible and timely responses to changes in local market conditions, the ability to offer customized

(1) As restated (see Note 6 under the heading to Selected Consolidated Financial Information for further information).

(2) EBITDA is earnings before interest, tax, depreciation, amortization, exceptional items and minority interest and equals operating income before exceptional items plus depreciation and amortisation. EBITDA, which is considered to be a meaningful measure of operating performance, does not have a standardised meaning under Canadian GAAP and may not be comparable with similar measures used by others.

services, greater trade lane economies of scale and premium pricing for its services. These attributes, along with its strong market position, provide it with a measure of protection from new competitors on its core trade lanes.

Low cost operator. A combination of global scale economies and trade lane scale economies based on strong market position has allowed CP Ships to reduce its costs significantly. Savings in costs associated with ship networks, terminals and stevedoring, the container fleet, inland transport and administration have contributed to a 19% reduction in cost per teu from 1996 to

2002. Cost per teu increased in 2003 compared to 2002 by 7%, mainly due to increased fuel and charter costs and the depreciation of the U.S. dollar, which increased the reported amount of the substantial portion of CP Ships' costs incurred in other currencies, such as the euro, Canadian dollar and GB Pound. CP Ships remains committed to its cost savings programs.

Diversified customer base. CP Ships has approximately 23,700 customers which are diversified both by geography and by industry. Its largest customer represented 2.1% of its revenue in 2003, and its top ten customers accounted for only 8.5%. This diversity protects CP Ships against the adverse effect of relying on a single customer or industry.

Successful track record of acquisitions. CP Ships has successfully completed nine acquisitions since 1993 mainly involving the turn-around of under performing businesses. It has successfully integrated those businesses, improving both services and profitability. Acquisitions have contributed to a compound annual growth of revenue of 25% since 1994.

Experienced management team. CP Ships' senior management team average over 20 years experience in the container shipping industry. The large majority of the management team has worked for CP Ships or with its acquired businesses for many years. Incentives are provided to senior management through share-based compensation and to all staff (including senior management) through cash incentives based on operating income.

Strategy

Six principal strategies underpin CP Ships' business model.

Concentration on container shipping. CP Ships concentrates on container shipping services, which allows management to focus and to plan for and quickly respond to often rapidly changing economic, political and trade conditions in what is a truly international business.

Focus on regional markets. CP Ships has built strong positions in a number of regional markets. It is the leading carrier in the majority of its core trade lanes, which allows it to offer the best schedules and services to its customers and to maximize trade lane economies of scale.

Pursue selective acquisitions. Since 1993, nine acquisitions have been executed and integrated successfully, often involving the turnaround of under-performing businesses. CP Ships' revenue is now seven times larger than in 1994. In a relatively fragmented and cyclical industry, there will likely be further acquisition opportunities. CP Ships expects to continue to pursue a disciplined acquisition strategy that enables it either to grow in its existing markets or to carefully expand into new markets, thereby helping it to achieve further economies of scale that improve operating performance.

Furthermore, as a way of leveraging strong regional positions and adding value to our core container services, CP Ships intends to selectively and modestly develop logistics services. In April 2004, CP Ships completed the acquisition of Montreal based ROE Logistics, a family owned business specializing in providing a range of freight forwarding, customs brokerage, logistics, warehousing and distribution services.

Enhance strong brands. CP Ships offers two or more of its well-recognized brands in nearly all of its trade lanes. It intends to strengthen its brands by continuing to respond to the evolving needs of its customers by selectively expanding its services, improving service frequencies and transit times, improving the efficiency of its inland transportation networks and implementing effective training and staff retention programs. CP Ships considers that its multiple branding approach results in higher levels of service and customer loyalty and is one of the best ways to build and retain market share.

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Provide supply chain solutions. Integrated door-to-door or intermodal container transportation is the largest component in the logistics supply chains of international trade. CP Ships continues to emphasize consistently reliable, tailor-made intermodal supply chain solutions for its customers to strengthen customer relationships and protect operating margins.

Reduce costs. Delivering low-cost, high-quality service is a key to success in the highly competitive container shipping industry. CP Ships reduced its cost per teu by 14% from 1996 to 2003, and remains committed to its cost savings programs.

Service

CP Ships provides port-to-port and door-to-door ocean container shipping services with 27 weekly sailings and eight non-weekly sailings covering more than 145 ports on six continents. It emphasizes the provision of door-to-door services to its customers. A typical shipment generally involves the following steps:

- o A customer makes a booking at a price and on other terms which usually have been agreed previously or determined under contract.
- o The customer service department checks the existing customer profile and updates equipment, scheduling and transport requirements.
- o CP Ships arranges for an inland transport provider to position an empty container at the customer's (exporting) plant or warehouse at an agreed time.
- o Once the container is filled, the nominated inland transport operator picks up and moves the container by truck, rail, barge, feeder ship, or combination thereof, from the customer's loading point to a marine terminal in time to meet a particular sailing.
- o The container is received by the marine terminal and is loaded directly into a pre-determined slot in the ship using specialist cranes or is stored at the terminal until loaded onto its scheduled ship.
- o The ship sails at a fixed time according to a pre-set schedule on fixed day of the week sailings.
- o The container is discharged at the marine terminal in the destination port, again according to the pre-set schedule. Just-in-time shipments and containers moving in high-density corridors move directly from ship to rail or truck, subject to satisfying the requirements of local customs. Otherwise, containers are stored at the arrival terminal for customs clearance and arrangement of inland transport.
- o Delivery of a full container to a customer's (importing) premises is co-ordinated with an inland transport provider.
- o After unloading the cargo at the importer's plant or warehouse, the empty container moves directly to an exporter's warehouse for reloading or to a depot to await future use.

Markets and Trade Lanes

As at 31st December 2003, CP Ships operated in the following trade lanes of its principal markets under the following brand names:

<TABLE>
<CAPTION>

Principal Market	Services	Trade Lanes	Brands
<S>	<C>	<C>	<C>
TransAtlantic	12	US/Canada via Montreal-North Europe US/Canada via Montreal-Mediterranean West Coast North America-Mediterranean US East Coast-North Europe Gulf-North Europe Gulf-Mediterranean	Canada Maritime, Cast Canada Maritime, Cast Lykes Lines, TMM Lines, Contship Containerlines, Italia Line Lykes Lines, TMM Lines Lykes Lines, TMM Lines Lykes Lines, TMM Lines, Contship Containerlines, Italia Line
Australasia	6	Europe and US East Coast-Australasia US West Coast-Australasia TransTasman	Contship Containerlines, ANZDL, Lykes Lines ANZDL, Contship Containerlines ANZDL, Contship Containerlines
Latin America	10	North Europe-East Coast South America Mediterranean-East Coast South America US East Coast-East Coast South America	Lykes Lines, TMM Lines, Contship Containerlines Lykes Lines, Contship Containerlines, Italia Line Lykes Lines, TMM Lines

		Gulf-East Coast South America	Lykes Lines, TMM Lines
		Gulf-Caribbean	Lykes Lines, TMM Lines
		Mexico-Central America-West Coast	Lykes Lines, TMM Lines, Italia Line
		South America	
		Mediterranean-West Coast South America	Lykes Lines, TMM Lines
		Panama-West Coast South America	Lykes Lines, TMM Lines, Italia Line
Asia	5	Asia-Americas	Lykes Lines, TMM Lines, Canada Maritime
		Europe-India/Pakistan	Contship Containerlines
		US East Coast-India	Contship Containerlines, Lykes Lines

</TABLE>

In addition to its four principal markets, CP Ships also operates in the North America-West/South Africa trade lane and provides a small break-bulk service between Asia-Latin America-Caribbean, both under the Lykes Lines and TMM Lines brands.

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The following tables illustrate volume and revenue for CP Ships' principal markets for the last three years. Percentages of total are shown for both volume and revenue(1) for 2003.

<TABLE>

<CAPTION>

Volume By Market

Market	2003 Volume (teu 000s)	% of Total	2002 Volume (teu 000s)	2001 Volume (teu 000s)
<S>	<C>	<C>	<C>	<C>
TransAtlantic	1,163	53	1,039	942
Australasian	304	14	334	348
Latin American	239	11	174	162
Asian	453	21	424	331
Other	36	1	37	59
	--	-	--	--
Total	2,195	100	2,008	1,842
	=====	===	=====	=====

Revenue By Market

Market	2003 Revenue (\$ millions) (1)	% of Total	2002 Revenue (\$ millions)	2001 Revenue (\$ millions)
	(as restated)			
TransAtlantic	1,573	50	1,328	1,323
Australasian	515	16	531	549
Latin American	297	10	238	244
Asian	635	20	508	435
Other	110	4	82	95
	---	-	--	--
Total	3,130	100	2,687	2,646
	=====	===	=====	=====

</TABLE>

TransAtlantic Market

In 2003, 53% of CP Ships' volume was in the TransAtlantic market, where it provided services under the Canada Maritime, Cast, Contship Containerlines, Italia Line, Lykes Lines and TMM Lines brands. CP Ships offers 12 services on the TransAtlantic, of which 10 are fixed-day weekly sailings, providing the most comprehensive service network in the market. Through efficient links to an extensive inland transportation network in North America, Mexico and Europe, CP Ships provides its customers with the choice of seamless door-to-door services as well as port-to-port service options.

Within the TransAtlantic market, CP Ships is the leader in the US/Canada via Montreal-North Europe and the US/Canada via Montreal-Mediterranean trade lanes with five weekly services, using a fleet of owned ice-strengthened

container ships which are designed to operate throughout the year. Two ice-strengthened newbuilds were introduced in the second half of 2003 in the Montreal-North Europe trade lane. The consequent cascading of ships that took place within the services including the Montreal-Mediterranean trade lanes served to modernise, upgrade and improve each of the five weekly services. The Montreal Gateway provides a more direct route to Canada and the U.S. Midwest and accesses a more cost effective Canadian infrastructure, including CP Ships' operated terminals in Montreal and Canadian Pacific Railways' rail network than alternate services via the U.S. East Coast.

CP Ships' Gulf trade lanes serve U.S. and Mexican ports in the Gulf of Mexico with three weekly services and one nine day service. Its regional focus on the Gulf within the TransAtlantic market and its market share are strengthened by the strong brand recognition of Lykes Lines in the U.S. Gulf, TMM Lines in Mexico and Italia Line in the Mediterranean.

CP Ships also operates two weekly services in the US East Coast-North Europe trade lane and with the acquisition of Italia Line, CP Ships has increased its presence on the West Coast North America-Mediterranean trade lane where it operates a 10 day service.

 (1) As restated (see Note 6 under the heading to Selected Consolidated Financial Information for further information).

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<TABLE>
 <CAPTION>

Trade Lanes -----	Services -----	Company Ships -----	Frequency -----	Brands -----
<S>	<C>	<C>	<C>	<C>
US/Canada via Montreal-North Europe	3	7	3 x weekly	Canada Maritime, Cast
US/Canada via Montreal-Mediterranean	2	6	2 x weekly	Canada Maritime, Cast
West Coast North America-Mediterranean	1	6	1 x 10 days	Lykes Lines, TMM Lines, Contship Containerlines, Italia Line
US East Coast-North Europe	2	1	2 x weekly	Lykes Lines, TMM Line
Gulf-North Europe	3	8	3 x weekly	Lykes Lines, TMM Line
Gulf-Mediterranean	1	5	1 x 9 days	Lykes Lines, TMM Lines, Contship Containerlines, Italia Line

</TABLE>

CP Ships believes that its extensive low cost service network, regional multi-brand focus, door-to-door capabilities, and significant volume and trade lane economies of scale strengthen its position as the leading carrier in the TransAtlantic market.

Australasian Market

CP Ships operates six services in three trade lanes in the Australasian market through its Contship Containerlines, ANZDL and Lykes Lines brands. The Australasian market accounted for 14% of CP Ships' volume in 2003. CP Ships is a leader in its Australasian trade lanes.

In January 2003, following two years of planning, CP Ships in cooperation with P&O Nedlloyd, CMA-CGM, Hamburg Sud, Hapag Lloyd and Marfret, substantially restructured the services within the Europe-Australasia and Round-the-World trade lanes. CP Ships, with its partners, now operates two separate fixed-day weekly Round-the-World services, one eastbound and the other westbound. These services link Australia, New Zealand and the Pacific Islands with Northern and Mediterranean Europe and the U.S. East Coast. The new services are supported by 22 vessels, 10 of which are new purpose-built larger vessels with a high reefer capacity. These changes achieve a more consistent market coverage, offer better schedule integrity through improved frequency and better transit times with the deployment of fewer ships at lower cost.

In the US West Coast-Australasia trade lane, two weekly services are operated. CP Ships also operates two services in the TransTasman trade lane under the ANZDL and Contship Containerlines brands. One service operates two

ships and the other operates on a slot charter basis. In addition, a number of CP Ships' other mainline services also serve the TransTasman trade lane.

<TABLE>
<CAPTION>

Trade Lanes -----	Services -----	Company Ships -----	Frequency -----	Brands -----
<S> Europe and US East Coast- Australasia	<C> 2	<C> 6	<C> 2 x weekly	<C> Contship Containerlines, ANZDL, Lykes Lines
US West Coast-Australasia	2	6	2 x weekly	ANZDL, Contship Containerlines
TransTasman	2	2	1 x 14 days 1 x weekly (plus various mainline services)	ANZDL, Contship Containerlines

</TABLE>

Latin American Market

The Latin American market accounted for 11% of volume in 2003 with ten services in eight trade lanes. The North American services are marketed under the Lykes Lines and TMM Lines brands and the European services under the Lykes Lines, TMM Lines, Italia Lines and Contship Containerlines brands. Lykes Lines and TMM Lines also market services in the Asia-Americas trade lane (which is discussed in "Asian Market" below) as well as the Gulf-North Europe and Gulf-Mediterranean services included in the TransAtlantic market, all of which call at Mexican ports.

During the fourth quarter of 2003, the Gulf-West Coast South America service, formerly the Italia relay was discontinued and replaced by three slot charter arrangements (described below) to improve performance.

Mediterranean-West Coast South America service operated by Compania Sudamericana de Vapores ("CSAV") and Compania Chilena de Navegacion Interocceanica SA ("CCNI") covering the Mediterranean-West Coast South America tradelane and the West Coast North America-Mediterranean trade;

Panama-West Coast South America service operated by P&O Nedlloyd, which connects West Coast South America with the Caribbean via Manzanillo International Terminal relay;

Mexico-Central America-West Coast South America service operated by MSC. The Asia to Central America and West Coast South America trades will now be served on this arrangement via Manzanillo, Mexico relay following the termination notice on the Asia-West Coast North America-Mexico-West Coast South America service, which is to be terminated.

<TABLE>
<CAPTION>

Trade Lanes -----	Services -----	Company Ships -----	Frequency -----	Brands -----
<S> North Europe-East Coast South America	<C> 2	<C> 2	<C> 1 x weekly 1 x 8 days	<C> Contship Containerlines, Lykes Lines, TMM Lines
Mediterranean-East Coast South America	1	Slot charter	1 x weekly	Contship Containerlines, Lykes Lines, Italia Line
US East Coast-East Coast South America	2	Slot charter	2 x weekly	Lykes Lines, TMM Lines
Gulf-East Coast South America	1	4	1 x weekly	Lykes Lines, TMM Lines

Gulf-Caribbean	1	3	1 x weekly	Lykes Lines, TMM Lines
Mediterranean-West Coast South America	1	Slot Charter	1 x 14 days	Lykes Lines, TMM Lines, Italia Line
Mexico-Central America-West Coast South America	1	Slot Charter	1 x 8 days	Lykes Lines, TMM Lines, Italia Line
Panama-West Coast South America	1	Slot Charter	1 x 7 days	Lykes Lines, TMM Lines, Italia Line

</TABLE>

Asian Market

The Asian market accounted for 21% of CP Ships' volume in 2003. Its presence in Asia was established with the acquisition of Contship Containerlines in 1997 and expanded with the formation of the Americana Ships joint venture in January 1999. At present CP Ships operates five services in three trade lanes.

CP Ships operated three services in the Asia-Americas trade lane. One service between Asia and the West Coast North America and Mexico, one between Asia and the West Coast North America, Mexico and West Coast South America and, launched during 2003, a fixed day weekly service between North East Asia including China and Vancouver, BC deploying five ships. This third Asia-Americas route strengthened market presence and created further operating efficiencies by using existing organizations in Asia and North America. CP Ships tendered a termination notice on the Asia-West Coast North America, Mexico, West Coast South America service with a phase out from December 2003 to February 2004. In February 2004, a new service between Asia and Vancouver and Oakland was announced. Scheduled to start in April, it complements the existing Asia-Vancouver service, further strengthening market presence in the Asia-Americas trade lane where trade growth is expected to remain strong.

On the Asia-North Europe and Asia-Mediterranean trade lanes, CP Ships did not renew its slot charter agreement with CMA-CGM which terminated in March 2003.

On the Europe-Indian Subcontinent trade lane, CP Ships continues to co-operate with P&O Nedlloyd and CMA-CGM, providing two of the seven vessels deployed in a fixed-day weekly service. Hapag Lloyd and Hamburg Sud also participate on the service, through means of slot charter arrangements. Safmarine withdrew from the service in July 2003, but sustained growth in the Indian economy has allowed the remaining members of the Agreement to successfully absorb the capacity vacated by Safmarine. The Service scope covers Europe, Red Sea, Arabian Gulf, Pakistan and India.

The US East Coast - India Service is fixed-day weekly, operated in conjunction with CMA-CGM, Shipping Corporation of India and APL. CP Ships contribute two of the seven vessels operated in the service. The service connects the U.S. East Coast, Mediterranean, Sri Lanka and India.

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<TABLE>
<CAPTION>

Trade Lanes	Services	Company Ships	Frequency	Brands
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Asia-Americas	3	11	3 x weekly	Lykes Lines, TMM Lines, Canada Maritime
Europe-India/Pakistan	1	2	1 x weekly	Contship Containerlines, Lykes Lines
US East Coast-India	1	1	1 x weekly	Contship Containerlines, Lykes Lines

</TABLE>

The Westabout Europe and US East Coast - Australasia service, which is in the Australasian market, calls at South East Asian ports en route to North Europe and the Mediterranean.

Other Markets

Other markets comprised approximately 1% of CP Ships' 2003 volumes. Lykes Lines operates a roll-on roll-off ("Ro Ro") service between North America and West/South Africa. Ro Ro ships are designed to handle cargo that is driven

on and off the ship, as well as containers that are lifted by cranes on and off the ship.

CP Ships also operates an Asia-West Coast Latin America-Caribbean break-bulk service. Other markets activities also include the two terminals in Montreal that CP Ships operates for Canada Maritime and Cast and their service partners, together with sub-chartering out of ships that are temporarily surplus to needs.

<TABLE>
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Trade Lanes	Services	Company Ships	Frequency	Brands
<S> North America- West/South Africa	<C> 1	<C> 5	<C> 1 x 15 days	<C> Lykes Lines, TMM Lines
Break-bulk service	1	1	1 x 30 days	Lykes Lines, TMM Lines

</TABLE>

Joint Service Agreements

In nearly all of its trade lanes, CP Ships participates in joint services with other container shipping companies either by contributing ships to a joint service agreement or by entering into slot charters. It generally prefers to contribute owned or chartered ships into a joint service agreement where the economic benefits justify the capital investment. By operating its own ships within a joint service, CP Ships believes it is better able to influence important decisions regarding investment in ship and schedule improvements, including number, size, and quality of ships deployed, sailing frequency, port calls and port rotations. It also believes that lower costs can be achieved by operating its own ships compared to chartering space from other carriers.

The following describes selected joint service agreements to which CP Ships is a party:

- o US/Canada via Montreal-North Europe trade lane: CP Ships operates two services in partnership with Orient Overseas Container Line ("OOCL") under the St. Lawrence Co-ordinated Service, which was established in 1981. Canada Maritime provides four ships and OOCL provides two ships. In December 2002, CP Ships and OOCL agreed to charter a fixed number of slots to members of the Canex consortium: Maersk Sealand, Mediterranean Shipping Company and P&O Nedlloyd. The two year agreement took effect from January 2003. At the same time, Canex moved its existing service to CP Ships' Montreal Gateway Terminals.
- o US East Coast-North Europe and Gulf-North Europe trade lanes: Since October 2000, the Lykes Lines and TMM Lines brands have been operating two joint weekly services in the US East Coast-

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North Europe trade lane and three joint weekly services in the Gulf-North Europe trade lane with the Grand Alliance, one of the three principal Alliances, whose partners in the TransAtlantic trade lane are P&O Nedlloyd, Nippon Yusen Kaisha, OOCL, and Hapag Lloyd. CP Ships contributes nine of the 31 ships deployed in this arrangement.

- o Europe/US East Coast-Australasia trade lane: At the beginning of 2003, CP Ships in cooperation with P&O Nedlloyd, CMA-CGM, Hamburg Sud, Hapag Lloyd and Marfret, extensively restructured the services within its Europe-Australasia and Ocean Star Round-the-World trade lanes. CP Ships, with its partners now operates two separate fixed-day weekly Round-the-World services; one eastbound and the other westbound. These services link Australia, New Zealand and the Pacific Islands with Northern and Mediterranean Europe and the U.S. East Coast. The services are supported by 22 vessels, 10 of which are new purpose-built larger vessels with a high reefer capacity.
- o Gulf-East Coast South America: CP Ships operates a fixed-day weekly service between the U.S., Mexico and East Coast South America, under the Lykes Lines and TMM Lines brands. It is operated under a co-operation agreement with Libra using six ships, four of which are provided by CP Ships.
- o Asia-Americas trade lane: CP Ships operates three fixed-day weekly services under the Lykes Lines, Canada Maritime and TMM Lines brands. One service is operated between Asia and U.S. West Coast North America, Mexico under a co-operation agreement with APL using

six ships, four of which are provided by CP Ships.

- o The trade lanes between the Indian Subcontinent and Europe and the Indian Subcontinent and the U.S. East Coast are each governed by Joint Service Agreements. The service to Europe is operated in conjunction with CMA-CGM and P&O Nedlloyd, with slot capacity distributed in agreed proportions. The parties to the Agreement collectively sell slot capacity to Hapag Lloyd and Hamburg Sud. The service to the U.S. East Coast is operated in conjunction with CMA-CGM, Shipping Corporation of India and APL. Under this Agreement, slot capacity is distributed in accordance with slot provision. Hapag Lloyd and United Arab Shipping Company participate in the service via means of Slot Charter Agreements with CP Ships.

CP Ships generally charters space when it enters a new trade lane, if the anticipated economic benefits of deploying its own ships do not justify the size or risk of the investment or where CP Ships' volumes in that particular trade lane are likely to be initially small. CP Ships regularly evaluates the potential for deploying its own ships in growing or new markets.

CP Ships has restructured and rationalized its operations in many trade lanes, most frequently by combining with other carriers a larger number of independent services into jointly-operated services. These rationalized operations enhance service on the trade lanes by increasing frequency, expanding port calls, improving reliability and reducing costs.

<TABLE>
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Operations

Ships

The following table lists the 80 ships owned and chartered by CP Ships as at 31st December 2003:

SHIP	YEAR BUILT	TRADELANES	NOMINAL	OWNED / CHARTERED (1) (3)	MAX SERVICE	SHIP TYPES (4)
			CAPACITY (2) (teu)		SPEED (knots)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Canmar Honour	1998	US/Canada via Montreal-North Europe	3000	Owned	22	U
Canmar Pride	1998	US/Canada via Montreal-North Europe	3000	Owned	22	U
Cast Prominence	1996	US/Canada via Montreal-North Europe	2400	Owned	20	U
Cast Premier	1995	US/Canada via Montreal-North Europe	2300	Owned	21	U
Cast Prospect	1995	US/Canada via Montreal-North Europe	2400	Owned	21	U
Canmar Spirit	2003	US/Canada via Montreal-North Europe	4100	Owned (8)	23	U
Canmar Venture	2003	US/Canada via Montreal-North Europe	4100	Owned (8)	23	U
Canmar Endurance	1983	US/Canada via Montreal-Mediterranean	1900	Owned	20	U
Canmar Valour	1979	US/Canada via Montreal-Mediterranean	1000	Owned	19	U
Canmar Glory	1979	US/Canada via Montreal-Mediterranean	1000	Owned	19	U
Canmar Triumph	1978	US/Canada via Montreal-Mediterranean	1000	Owned	19	U
Canmar Victory	1979	US/Canada via Montreal-Mediterranean	1000	Owned	19	U
Canmar Bravery	1978	US/Canada via Montreal-Mediterranean	1700	Owned	19	U
Lykes Hero	1986	US East Coast-North Europe	2900	Owned	21	U
TMM Jalisco	1988	Gulf-North Europe	3300	Owned	21	U
Lykes Discoverer (5)	1987	Gulf-North Europe	3000	Owned	19	U
Lykes Explorer (5)	1987	Gulf-North Europe	3000	Owned	19	U
Lykes Liberator (5)	1987	Gulf-North Europe	3000	Owned	19	U
Lykes Navigator (5)	1987	Gulf-North Europe	3000	Owned	19	U
Lykes Motivator (5)	1990	Gulf-North Europe	3000	Owned	22	U
TMM Campeche	1989	Gulf-North Europe	3000	Owned	21	U
TMM Yucatan	2003	Gulf-North Europe	3200	Owned	22	G
Lykes Ambassador	1987	Gulf-Mediterranean	3300	Owned	21	U
TMM Sinaloa	1987	Gulf-Mediterranean	3300	Owned	21	U
TMM Hermosillo	1986	Gulf-Mediterranean	3300	Owned	21	U
Lykes Achiever	1987	Gulf-Mediterranean	3300	Owned	21	U
Lykes Challenger	1986	Gulf-Mediterranean	3300	Owned	21	U
TMM Sonora	1994	West Coast North America-Mediterranean	2400	MTC	20	U
Lykes Commander	1994	West Coast North America-Mediterranean	2400	MTC	20	U
Cielo di San Francisco	1998	West Coast North America-Mediterranean	2500	MTC	21	G
Cielo del Canada	1998	West Coast North America-Mediterranean	2500	MTC	21	G
Cielo d' America	2002	West Coast North America-Mediterranean	2500	MTC	21	G
Cielo d' Europa	2002	West Coast North America-Mediterranean	2500	MTC	21	G
Contship Rome	1998	Europe and US East Coast-Australasia	2200	MTC	21	G
Contship London	1997	Europe and US East Coast-Australasia	2200	MTC	21	G
Contship Aurora	2002	Europe and US East Coast-Australasia	4100	Owned	25	U
Contship Australis	2002	Europe and US East Coast-Australasia	4100	Owned	25	U

Contship Borealis	2002	Europe and US East Coast-Australasia	4100	Owned	25	U
Contship Auckland	1998	Europe and US East Coast-Australasia	2200	STC	21	G
Direct Kea	1998	US West Coast-Australasia	2200	MTC	21	G
Direct Tui	1998	US West Coast-Australasia	2200	MTC	21	G
Direct Condor	2000	US West Coast-Australasia	1700	STC	20	G
Direct Jabiru	2000	US West Coast-Australasia	1700	STC	20	G
Direct Kestrel	2000	US West Coast-Australasia	1700	STC	21	G

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SHIP	YEAR BUILT	TRADELANES	NOMINAL	OWNED / CHARTERED (1) (3)	MAX SERVICE	SHIP TYPES (4)
			CAPACITY (2)		SPEED	
			(teu)		(knots)	
Direct Eagle	2000	US West Coast-Australasia	1600	STC	20	G
Rotoiti	1977	Trans Tasman	800	Owned	16	Ro Ro
Rotorua	1993	Trans Tasman	700	STC	16	Ro Ro
Lykes Envoy	2003	North Europe-East Coast South America	2500	MTC	23	G
Altonia	2000	North Europe-East Coast South America	1700	STC	20	G
Lykes Flyer	2002	Gulf-East Coast South America	3200	Owned	22	G
Lykes Ranger	2002	Gulf-East Coast South America	3200	Owned	22	G
TMM Colima	2002	Gulf-East Coast South America	3200	Owned	22	G
TMM Guanajuato	2002	Gulf-East Coast South America	3200	Owned	22	G
TMM Chiapas	2001	Gulf-Caribbean	1600	STC	21	G
Colombia	1996	Gulf-Caribbean	1600	STC	20	G
Puerto Limon	1996	Gulf-Caribbean	1500	STC	20	G
TMM Tabasco	2000	Asia-Americas	2100	Owned	22	G
Lykes Voyager	1995	Asia-Americas	2100	Owned	21	G
Lykes Deliverer	2002	Asia-Americas	4100	Owned (9)	25	U
Lykes Provider	2003	Asia-Americas	4100	Owned (9)	25	U
TMM Monterrey	2003	Asia-Americas	4100	Owned (9)	25	U
Canmar Dynasty	1994	Asia-Americas	2100	Owned	21	G
Dorian	1994	Asia-Americas	1500	STC	20	G
TMM Aguascalientes	2003	Asia-Americas	4100	Owned (9)	25	U
TMM Hidalgo	1997	Asia-Americas	1700	STC	20	G
Canmar Promise	1997	Asia-Americas	2100	STC	20	G
Lykes Eagle	2000	Asia-Americas	2100	Owned	22	G
Indamex Malaber	2001	US East Coast-India	2500	STC	23	U
Indamex Mumbai	1996	US East Coast-India	2800	STC	22	U
Contship Champion	1994	Europe-India/Pakistan	3500	STC	23	U
Contship Innovator	1994	Europe-India/Pakistan	3500	STC	23	U
Lykes Energizer	1992	North America-South Africa	700	MTC	17	Ro Ro
Lykes Raider	1990	North America-South Africa	800	MTC	17	Ro Ro
Lykes Inspirer	1990	North America-South Africa	700	MTC	17	Ro Ro
Lykes Winner	1990	North America-South Africa	700	MTC	17	Ro Ro
Lykes Runner	1992	North America-South Africa	800	MTC	17	Ro Ro
National Pride (6)	1981	Break-bulk	500	STC	16	BB
Montreal Senator (7)	1983	Sub-Charter	1900	Owned	20	U
APL Honduras (7)	2002	Sub-Charter	4100	Owned (9)	25	U
APL Panama (7)	2002	Sub-Charter	4100	Owned (9)	25	U
CP Ships total standing capacity			197,500			

</TABLE>

- (1) Owned ships includes four long-term chartered ships owned by certain U.S. trusts, the beneficial interests in which were purchased by CP Ships in September 2001, two ships under 25 year capital leases and six long-term (8 year) time chartered ships which for accounting purposes are treated as operating leases.
- (2) Nominal capacity represents the total number of slots theoretically available both above and below decks and is therefore different from operational capacity which takes account of average cargo weight, destination of cargo, likely weather conditions, draft limitations, ship stability, and other factors which generally reduce the ship capacity, often significantly.
- (3) Bareboat charters are arrangements where the charterer becomes directly responsible for providing crew and costs relating to operation and maintenance. In contrast, under a time charter the owner remains responsible for providing the crew and for certain repairs and maintenance costs. A short-term charter ("STC") is a time charter of one year or less, medium-term charter ("MTC") is a time charter more than one year but less than three years; and long-term charter ("LTC") is a time charter three years or more other than those included in footnote one. For each ship listed, the duration of the term is determined as from the date of entering into the charter.
- (4) Geared ("G") ships have on-board cranes, while ungeared ("U") do not. Roll-on Roll-off ("Ro Ro") ships are designed to handle cargo that is driven on and off the ship, as well as containers that are lifted by

- cranes on or off the ship. Break-bulk ("BB") ships may also handle containers.
- (5) U.S. flag ships.
 - (6) One-way voyage charters.
 - (7) Ships not employed by CP Ships at 31st December 2003.
 - (8) Ships subject to 25 year capital lease.
 - (9) Long term (8 year) time chartered.

Ship Replacement Program

During 2003, CP Ships completed its \$800 million ship replacement program, commenced in 1999, to replace a number of its chartered ships with owned ships. The replacement program comprised purchasing 13 used ships, building ten new ships and entering into long-term charter arrangements on a further six new ships. It followed the integration of various acquisitions during the 1990s and a comprehensive review of its ship fleet requirements and took into account three key factors. First, CP Ships believes that it can reduce its costs over the medium to long-term by owning ships rather than chartering them. Second, a higher proportion of owned ships will reduce its exposure to volatility in operating costs from the charter market and therefore improve the stability of CP Ships expenses. Third, it can be difficult to charter ships with optimum characteristics for certain trade lanes at the time they are needed.

The 23 replacement ships are medium-sized from 2100 to 4100 teu, which CP Ships believes to be the optimal size range for operations in regional markets. Each of the new ships has been specifically designed for the trade in which it is intended to operate. Three, which operate in the Australasian trades, have the capacity to carry a significant number of refrigerated containers for temperature sensitive cargo, two are ice-strengthened to operate into Montreal and the remaining five are geared, enabling them to operate in Latin American and other ports without shore side cranes. The replacement program has resulted in the percentage of CP Ships owned fleet capacity, including long-term charters, increasing from 28% as at 30th June 2000 to 68% at the end of 2003. The average age of the owned fleet has also decreased from 12.6 years at the beginning of 2000 to just under eight years at the end of 2003. The estimated useful life of a containership is 25 years.

Whilst the replacement program has resulted in CP Ships achieving its goal of owning or long-term chartering the majority of its ship fleet, the combined impact of service expansions, the acquisition of Italia Line during 2002 and the prospects for future trade growth means that CP Ships requirements have evolved from those set out in 1999 and, therefore, to ensure that it continues to have the appropriate ships to operate its trades and to minimize its reliance on the volatile, and through the cycle more expensive, short to medium term charter market, CP Ships reached agreement during August 2003 to charter from Seaspan Container Lines for a period of up to 12 years, a further nine 4250 teu containerships to be built and delivered between end 2005 and mid 2007. The charter costs for these nine ships, which will be constructed by Samsung Heavy Industries of Korea, is close to CP Ships equivalent cost of ownership including financing. Further details on the charter terms can be found in the Indebtedness section of this document.

The composition of CP Ships ship fleet by type of commitment is set out in the table below:

<TABLE>
<CAPTION>

	Fleet as at 31st December 2003		2007 proforma fleet after delivery of the nine Seaspan ships(3)	
	Ships	% Capacity(1)	Ships	% Capacity(1)
<S>	<C>	<C>	<C>	<C>
Owned	40	55%	40	45%
Long-Term Committed	6	13%	15	27%
	-----	-----	-----	-----
Total Owned and Long-Term Committed(2)	46	68%	55	72%
	-----	-----	-----	-----
LT Charter	-	-	-	-
MT Charter	16	15%	16	13%
ST Charter	18	17%	18	15%
	-----	-----	-----	-----
Total Chartered	34	32%	34	28%
	-----	-----	-----	-----
Total Fleet	80(4)	100%	89	100%
	-----	-----	-----	-----

</TABLE>

- (1) The proportion of capacity in each category of ship within the overall fleet is based on the standing capacity for each class of ships.

- (2) Owned and Long-Term Committed ships includes four long-term chartered ships owned by certain U.S. trusts, the beneficial interests in which were purchased by CP Ships in September 2001, two ships under 25 year capital leases and six long-term (8 year) time chartered ships which for accounting purposes are treated as operating leases. The 2007 proforma fleet also includes the nine Seaspan charters.
- (3) Assumes 5% increase in total capacity per year to meet trade growth.
- (4) The fleet at 31st December 2003 includes three ships which are sub chartered out, two of which are long term chartered ships, each 4100 teu standing capacity and one owned ship at 1900 teu.

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Containers

CP Ships operates the following fleet of containers with a total capacity of approximately 443,000 teu as at 31st December 2003:

Container Type	Owned(1) (teu)	Leased (teu)	Total (teu)
Standard	148,000	252,000	400,000
Specialized(2)	4,000	39,000	43,000

Total	152,000	291,000	443,000

Percentage	34%	66%	100%

- (1) Includes containers subject to capital leases.
- (2) Temperature-controlled (reefer) and other specialized units.

As at 31st December 2003, 34% of CP Ships' container fleet was owned or held under capital leases or sale and leaseback arrangements. CP Ships' believes that owning containers is generally less expensive than hiring them under short-term leases. However, short-term leases provide CP Ships with the ability to reduce or otherwise adjust its container fleet in response to changing trade conditions or container imbalances in specific trade lanes. CP Ships' objective is to increase over time the proportion of owned and long term leased containers in its fleet, although there are currently no commitments to purchase containers.

During August 2004, CP Ships' ordered 3,000 temperature-controlled containers. This investment of about \$50 million is the first phase of a plan to expand CP Ships' presence in the growing, higher margin, temperature-sensitive cargo market and to replace older units.

Montreal Terminals

CP Ships operates two of the three terminal properties at the Port of Montreal. In 2003, CP Ships completed the refurbishment of two gantry cranes at a cost of \$6 million. This project has resulted in improved productivity for these cranes.

At the terminals, workers employed by the Maritime Employer's Association were subject to contracts that expired at the end of December 2003. Negotiations regarding new contracts are in progress.

The main container handling equipment at the Montreal terminals comprises nine ship-to-shore gantry cranes, 14 rubber-tired gantry cranes, 20 front-end loaders and 64 yard tractors.

Other Property

CP Ships has offices throughout the world, including its head office in London, UK and major offices in Gatwick, UK, Tampa, Florida and Montreal, Quebec. In addition, CP Ships has other assets used in its business, such as furniture and fixtures, information systems hardware and software, leasehold improvements and motor vehicles, none of which are individually material.

Group Shared Services

Over time, CP Ships has achieved significant operating efficiencies and cost savings by combining the management of various decentralized services, including container fleet, inland transport, marine operations, marine terminals, administration, information systems and insurance and risk management. CP Ships expects that opportunities for further significant savings are reduced, however, some opportunities exist from transferring further processing activities from both Europe and the U.S. to India and further

Container Fleet - Provision and Management. CP Ships operates with a single company-wide container fleet acquiring containers either by direct purchase from manufacturers or through short, medium or long-term leasing arrangements with leasing companies. Purchasing and leasing activities are fully centralized in order to achieve cost savings through greater purchasing power. Empty positioning and other aspects of container management are performed by regional units, which implement a centrally developed strategy.

Inland Transport. The main regions where CP Ships provides a high volume of inland transport services are Europe and North America. Inland transport activities include the planning, execution and management of mainly outsourced rail, truck, feeder ship and barge services used to transport containers between ports and customer warehouses or inland depots or plants. Inland transport movements are planned and executed through a network of local operational offices located throughout Europe and North America under regional direction.

CP Ships believes that it can achieve further efficiencies by continuing to combine its volume of inland transport management at a regional and local level. As a result, regional inland transport activities in Europe are managed from operating centres in the UK, Germany, Belgium, France and Italy. In North America, inland transport activities are managed from operating centres in Montreal, Quebec and Tampa, Florida.

Marine Operations. Marine operations include ship procurement (including under time charters) and deployment, marine fuel purchasing, the contracting and control of ship management services and the negotiation of marine terminal contracts. CP Ships provides many of these services centrally to all of its brands in order to achieve economies of scale, with regional and local resources employed as appropriate. Marine fuel is available from a large number of suppliers throughout the world.

CP Ships does not employ any sea-going staff. Instead, it contracts with independent ship managers who provide crew for its owned and bareboat chartered ships. A bareboat charter is broadly equivalent to ownership but for a set period of time and involves the leasing of a ship only, with the charterer providing the crew and paying all operating costs including repairs and maintenance. A time charter, which typically is for a shorter duration than a bareboat charter, includes crew provided by the owner. Under the control of CP Ships, the ship managers also supervise ship maintenance, dry-docking and technical management according to an agreed budget and agreed ship maintenance policies and procedures, and co-ordinate compliance with relevant legislation and regulation. In 2003, CP Ships recruited 20 cadet officers, who are employed by a third party, as part of the UK tonnage tax cadet training program.

Marine Terminals. CP Ships focuses on marine terminal operations in several ways. First, it aims to combine volume from its various trade lanes and services through common ports, where commercial, economic and operational factors allow. Second, the marine operations group negotiates stevedoring and marine terminal contracts using total volume to secure competitive pricing. Third, CP Ships operates two marine terminals in Montreal, Quebec.

CP Ships may actively pursue or participate in initiatives to improve its existing terminal arrangements with independent port and terminal companies where volumes, scale of operations and other economic factors justify focus. For example, in late 1999, CP Ships concluded a long-term agreement with Hesse-Noeod Natie, an Antwerp-based stevedore company, whereby it has committed all its volume to secure priority berthing, ample terminal space and reduced cost at a planned new terminal, due to open late 2005 at Deurganckdok in the port of Antwerp.

Administration. In 2003 a Global Processing Center in India was established to handle certain back office activities, primarily data processing work. The benefits of this operation will include reduced transaction costs, standardized processes, and improved service levels through extended operating hours. As of 31st December 2003, 150 positions had been transferred from Europe and North America.

Information Systems. CP Ships is in the process of developing a single company-wide system as a replacement for the diverse operational information systems it inherited with its various acquisitions. This includes standardization of CP Ships on a single financial system platform, SAP, which began operation for

the majority of the company in January 2004. CP Ships continues to reduce the number of separate operational and financial information system functions across its organization in order to achieve better operating efficiencies. Centrally-managed application development and technical support will provide effective cost control and support common information technology ("IT") processes across the group. Two major data centres located in the UK and in the U.S. support IT hardware and software for all corporate systems.

Implementation efforts continue within several of the lines to enhance capabilities with GT Nexus, an industry e-commerce portal. The portal covers rate requests, sailing schedule queries, documentation submissions and shipment tracking functions. These efforts complement internal e-commerce projects. In 2003, a new e-commerce system was deployed to five of the company's brand web sites.

Insurance and Risk Management. CP Ships provides centrally managed insurance, risk management and claims support services with centres in Europe, North America and Australia.

Sales and Marketing

Brands

CP Ships serves its customers through seven distinct brands: ANZDL, Canada Maritime, Cast, Contship Containerlines, Italia Line, Lykes Lines and TMM Lines. CP Ships believes that its brands are recognized in the industry for their distinct service offering, strong operating performances and superior customer relations. In 2003 Contship Containerlines won IFW's Shipping Line of the Year and Lykes Lines was a finalist. ANZDL and Cast both won Logistics Management's Quest for Quality Awards. Cast also won S.C Johnson's Carrier of the Year Award and was named as a Star Performer in the Lloyd's Loading List annual North Atlantic trade analysis. Lykes Lines was named Best Carrier to Africa by the Canadian International Freight Forwarders Association ("CIFFA"). Canada Maritime won three CIFFA awards - Best European, Best Mediterranean and Best Overall Carrier - for the third year in a row. It also won the Ocean Carrier Award from Canadian Transportation and Logistics magazine and was re-certified to Q1 Quality Status by the Ford Motor Group.

Sales

Sales and marketing activities are organized around the individual brands, reinforcing CP Ships' strategy of maintaining and strengthening its brands within its regional markets. CP Ships' policy is to have its own sales and marketing organizations based, in the large majority of locations, in its principal markets. It has over 200 sales and marketing offices.

Third party agents are utilised in smaller low volume locations. Third party agency arrangements may comprise "full service" agreements (including sales, marketing, customer service and back-office) or may be functionally specific, for example covering back-office services only.

A Global Account group manages sales, marketing and customer support relationships with large global customers with activities in many trade lanes. This allows CP Ships to offer tailored regional coverage on a global scale thereby capitalizing on the capabilities of the regional management teams and market knowledge.

Trademark and Licences

CP Ships does not rely on the licensing of intellectual property belonging to other companies in marketing its brands other than in respect of certain "CP" related trademarks which are owned by the successor of CPL, Fairmont Hotels & Resorts Inc., and licensed to CP Ships on a royalty free perpetual basis.

Customers

CP Ships has three types of customers: exporters, importers and intermediaries. Exporters include a wide range of enterprises, from global manufacturers (including the major automotive companies that may ship thousands of teu annually) to small family owned businesses (which may ship just a few teu each year). Importers are usually the direct purchasers of goods from exporters but may also comprise sales or distribution agents or may be the receiver of the containerized goods at the final point of delivery. Intermediaries act as agents for exporters and importers, performing a range of duties such as rate negotiation, bookings, documentation, insurance, customs clearance, billing and payments, inland transport, warehousing and container tracking services which would otherwise be part of the carrier's door-to-door service. Intermediaries usually receive a commission from the

carrier as well as from customers for performing these activities. Commissions paid to intermediaries by carriers generally range from 1.5% to 2.5% of the shipping contract value, although they may sometimes be paid on a fixed fee basis, typically in the range of \$25 to \$35 per teu.

Normally one party involved in a shipment, either the exporter, the importer or the intermediary, controls the selection of the carrier with such control usually depending on the terms of sale in the contract between an exporter and an importer. The extent to which exporters, importers or their intermediaries control carrier selection varies depending on the trade lane involved.

CP Ships markets its services to exporters and importers at both ends of the trade lane. By providing comprehensive sales coverage in this way, CP Ships builds knowledge about its customers (and other parties involved in the shipment), enhances its customer relations, builds brand loyalty and preserves market share. In CP Ships' view, based on industry and company customer surveys, customers expect to receive from carriers reliable, consistent and cost-effective ocean and inland transport services, schedule reliability, container availability and problem solving.

General practice within the container shipping industry is to provide standard credit terms to the party that is responsible for paying the transportation charges. The amount of credit and the credit period depends on a number of factors including the customer's financial status, its credit history with the carrier, the frequency and size of its shipments and overall size and type of business. CP Ships' credit terms are consistent with general industry practice.

CP Ships has a diverse customer base. In 2003, CP Ships' top ten customers accounted for 9.8% of volume or 8.5% of revenue. The single largest customer accounted for 2.0% of volume and 2.1% of revenue in 2003.

Competition

The container shipping industry is highly competitive. While the world's top 20 carriers, by capacity, control 63% of global container capacity, the industry remains highly fragmented with over 550 carriers operating world-wide. Within the trade lanes it serves, CP Ships competes against a wide range of global, regional and niche carriers. However, CP Ships participates in joint service agreements with other container shipping companies in nearly all of its trade lanes.

Global carriers generally deploy significant ship capacity and operate extensive service networks in most trade lanes in the major East-West markets, as well as in selected regional markets. These carriers generally deploy large ships and serve major ports with direct calls and other ports through transshipment over regional hubs. Global carriers that compete with CP Ships include APL, CMA-CGM, Hapag Lloyd, Maersk Sealand, Mediterranean Shipping, OOCL and P&O Nedlloyd.

Regional carriers generally focus on a number of smaller trade lanes within the major East-West markets, or within regional markets such as Australasia, Africa, Latin America and India. These carriers tend to offer direct services to a wider range of ports within a particular market than global carriers.

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Regional carriers that compete with CP Ships include CSAV, Hamburg Sud, Shipping Company of India and CCNI.

Niche carriers are similar to regional carriers but tend to be smaller in terms of the amount of ship capacity they operate and the number and size of the markets they cover. Niche carriers that compete with CP Ships include Atlantic Container Line, Dole Ocean Cargo Express and Seaboard Marine.

Employees

The number of employees of CP Ships at 31st December 2003 was approximately 4,720 with 44% of the staff located in North America, 38% in Europe and the balance mainly in Australasia and South America. CP Ships' employees are divided by function almost evenly between (i) sales and marketing, (ii) customer service, (iii) shared services and (iv) administration and accounting, with the head office of CP Ships being less than 1% of the total. Employees engaged in shared services include those responsible for container fleet management, co-ordination of inland transport services, certain IT functions, insurance and risk management and marine operations such as ship procurement, marine fuel purchasing, ship management services and the negotiation of marine terminal contracts.

Less than 3% of CP Ships' employees are employed under collective bargaining agreements. CP Ships believes that its relations with employees are good. CP Ships further believes that the material terms of its collective bargaining agreements and other terms of employment are customary for the industry, as are the classification of its employees and the geographic locations covered by such agreements.

Insurance

CP Ships maintains insurance policies to cover risks related to physical damage to its ships and ship equipment, other equipment (such as containers, chassis, terminal equipment, trucks) and properties, as well as third party liabilities arising from the carriage of goods and the operation of ships and shore-side equipment, and general liabilities which may arise through the course of its normal business operations.

CP Ships' owned ships are insured with a group of major insurance companies for physical damage (hull and machinery insurance), including war and terrorist risks, and total loss up to their full individually declared values on an annual basis. The declared value of the ship is its assessed market value. A further 25% of the value is covered under an "increased value" policy, in order to meet additional expenses that might arise from the total loss of a ship. In addition, owned ships calling in areas identified by the marine insurance market as specified war risk zones are temporarily covered for war risks by declaration and payment of an additional premium. Under its charter agreements, CP Ships is required to pay additional premiums when its chartered ships call in a war risk zone.

Protection and Indemnity insurance (P&I) provides cover for: third party claims arising from the carriage of goods including loss or damage to cargo; claims arising from the operation of owned and chartered ships including injury or death to crew, passengers, or other third parties; claims arising from collisions with other ships; damage to other third-party property; pollution arising from oil and other substances; and salvage and other related costs. CP Ships' P&I cover is divided between two P&I Clubs, both of which are members of the International Group of P&I Clubs. Members of this association, who insure approximately 90% of the world's ocean-going merchant fleet, arrange a pooling insurance and a substantial re-insurance program. Members of P&I Clubs are subject to calls payable to the association based on the member's claim record as well as the claim records of all other members of the association. The sum insured by P&I cover is up to approximately \$4.25 billion per incident. CP Ships' terminals in Montreal and its equipment fleet (containers and chassis) are insured in the London Companies market for physical damage, including war risks, and liabilities arising thereunder. As a result of the significant insurance losses incurred in the September 11, 2001 attacks and related concern regarding terrorist attacks, the world's insurance markets increased premiums and reduced or restricted cover for terrorist losses generally. Accordingly, premiums payable by CP Ships have increased substantially and the level of terrorist cover has been significantly reduced. The impact on Marine insurance cover and cost of developing U.S. legislation,

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including the U.S. Terrorism Risk Insurance Act of 2002, which aims to restore terrorism coverage in insurance policies, and security requirements generally, is regularly assessed.

CP Ships also maintains additional insurance policies to cover a number of other risks including: strikes and delays; liability arising from documentary or procedural errors and omissions; workers compensation; motor fleet; office buildings; directors' and officers' liability; and general liabilities. A US re-insurance program has been set up to provide additional cover in respect of liabilities including trucking, terminal and charterers liabilities. CP Ships believes that the types and amounts of insurance coverage it currently maintains are in line with customary practice in the international container shipping industry and are adequate for the conduct of its business.

Security

As a matter of course, CP Ships gives high priority to security and has traditionally supported industry and government efforts to ensure the safe carriage of cargo. CP Ships' Security Committee reports directly to the Chief Executive Officer. Membership is drawn from experts across the group including marine and land based operations, sales and customer service, cargo documentation, information systems, communications and regional management. CP Ships' Vice-President of Supply Chain Security maintains focus on ensuring company-wide compliance with international security initiatives. Top priorities in 2003 were to ensure compliance with Customs-Trade Partnership Against

Terrorism (C-TPAT) in the U.S., Partners in Protection in Canada and the U.S. Customs 24-Hour Advance Notification Rule. As these programs and others develop, CP Ships will make compliance a top priority.

Regulatory Matters

CP Ships' operations are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the ships operate, as well as in the country or countries of their registration. Because such conventions, laws and regulations are subject to revision, it is difficult to predict the continuing cost of compliance with such conventions, laws and regulations, the impact thereof on the resale price or useful life of ships or on business operations. Various governmental and quasi-governmental agencies require holding certain permits, licenses and certificates with respect to marine operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operations of its owned ships will depend upon a number of factors, CP Ships believes that it has been and will be able to retain or obtain all permits, licenses and certificates material to the conduct of its operations.

Maritime Regulations

United States. In the U.S., carrier operations of CP Ships serving U.S. ports are subject to the provisions of the Shipping Act of 1984 (the "Shipping Act"), as amended by the Ocean Shipping Reform Act of 1998 ("OSRA"). Among other things, the Shipping Act confers immunity from anti-trust laws for certain co-operative agreements between ocean common carriers operating in the U.S. The most common types of agreements are slot exchange agreements, whereby carriers share space on each others' ships, and rate discussion agreements, in which carriers may co-ordinate, discuss and voluntarily agree on ocean freight rates and charges and other terms and conditions of service (collectively, "Carrier Agreements"). Adherence to decisions reached in such discussion agreements is purely voluntary. To receive an antitrust exemption, Carrier Agreements must be filed with the U.S. Federal Maritime Commission ("FMC"). Under the Shipping Act, as amended, carriers serving U.S. ports may offer transport services to customers either through semi-confidential service contracts or through publicly available tariffs. The Shipping Act requires carriers to publish their tariff rates and certain service contract terms electronically to allow public internet access. Carrier operations of CP Ships via U.S. ports are subject to Shipping Act and FMC regulatory requirements relating to Carrier Agreements, tariffs, and service contracts. Civil penalties of up to \$30,000 per violation can be imposed on carriers that fail to adhere to these statutory and regulatory requirements.

Under the U.S. Maritime Security Act of 1996, U.S. documented ships that are operated in a common carrier service are eligible to apply for an annual subsidy payment ("MSP Program"). As at 31st

December 2003, CP Ships had five U.S. flag ships enrolled in the MSP Program, and these ships receive an annual subsidy payment of approximately \$2 million per ship. Although the current MSP Program continues until 30th September 2005, funding for the MSP Program must be approved by U.S. Congress on an annual basis. As a pre-condition to receipt of the annual subsidy payment under the MSP Program, the operator or charterer of the ship must enter into an emergency preparedness agreement with the U.S. Secretary of Transportation. Accordingly, Lykes Lines has entered into such an agreement with the U.S. Secretary of Transportation pursuant to which Lykes Lines agrees to make its ships, capacity in ships, intermodal systems and equipment, terminal facilities, management service and related service available to the U.S. Government in the event of war, national emergency or when the U.S. Secretary of Defence determines it to be necessary for national security. A new MSP program will become effective 1st October 2005. CP Ships is presently considering whether and to what extent it will seek participation in the new program.

Following the terrorist attacks on 11th September 2001 the U.S. Government adopted certain measures to improve security at various U.S. ports and with respect to cargo movements to and from the U.S.. Congress and federal agencies have adopted or are considering the adoption of additional security related measures. Such measures include increased security for facilities and vessels, mandatory filing requirements for certain data, improved container seals, electronic vessel and equipment tracking, enhanced personnel security checks and identification procedures, reviews of vendors and subcontractors, changes to cargo documentation requirements, automated filing procedures for customs and vessel entries, and other actions. It is possible that some of these

measures could adversely affect the efficiency of operations of CP Ships or result in additional costs. It is as yet too early to determine with any precision the nature and extent of the full scope of measures that may be adopted in the U.S.

Canada. In Canada, the Shipping Conferences Exemption Act, 1987 ("SCEA") exempts certain shipping conference practices, such as agreeing to terms and prices by way of published tariffs or service contracts, pooling volumes, and exchanging market data with the objective of achieving trade stability, from the provisions of the Competition Act. This allows for partial anti-trust immunity provided that, among other things, on request a shipping conference is required to meet, notify and discuss issues with the Canadian Shippers Council.

Recent amendments to SCEA include provisions (a) permitting conference carriers to offer individual confidential service contracts, (b) permitting carriers to file rates and tariffs electronically, (c) providing for penalties of C\$10,000 per offence, and (d) reducing the notice period for independent action from fifteen to five days. In general, these amendments brought the Canadian regulatory environment closer to U.S. and European regulation.

European Union. The European Union ("EU") recognizes traditional conferences but not discussion agreements. In the EU, CP Ships is affected by the regulations under the Treaty of Amsterdam (formerly the Treaty of Rome) ("Treaty"). Under the Treaty, CP Ships is subject to European Community ("EC") Regulation 4056/86 ("Reg. 4056/86") and EC Regulation 823/00 ("Reg. 823/00").

Under Reg. 4056/86, carriers are entitled to give effect to rate fixing agreements in relation to the ocean carriage of cargo to and from the EU (and the European Economic Area) member states. This is in derogation of the fundamental prohibition of cartels imposed by Article 81 of the Treaty. Such derogation is subject to certain qualifications. These permitted rate fixing agreements relate to specific trade lanes. They are known as "liner conferences". Many of CP Ships' liner services are members of the relevant liner conferences, primarily in the trade lanes between North Europe and Canada, and between Europe and Australia, New Zealand, South America and India/Pakistan. Changes to Reg. 4056/86 have now been brought into effect pursuant to the "modernisation" of EC competition rules brought into effect by Council Regulation No 1/2003 dated 16 December 2002. These changes came into effect on 1st May 2004. The changes transfer the burden of testing compliance with Reg. 4056/86 and Article 81 of the Treaty, and the application of exemptions to Article 81, from the Commission (of the EC) to a self-assessment regime open to verification by interested parties (at the national court level or with or by the commission) or by the EC itself.

Reg. 823/00, known as the "consortia" regulation, permits carriers trading to and from the EU to co-ordinate, subject to certain conditions, the operation of their ships in particular trade lanes, in order to

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promote greater efficiency in the optimising and scheduling of shipping capacity. Such permitted co-ordination is subject to certain qualifications and is distinct from, and must not include, freight rate fixing agreements (as permitted by Reg. 4056/86). CP Ships participates, world-wide, in a number of such arrangements, several of which are subject to Reg. 823/00 by reason of trade to and from EU member states. There are currently under discussion proposals to change the verification procedure under this Regulation from that conducted by the Commission (of the EC) to a self-assessment regime, broadly in line with the changes to Reg. 4056/86.

Australia. In Australia, Part X of the Trade Practices Act 1974 ("TPA") provides registered liner cargo shipping conference agreements with exemptions from provisions of the TPA which would otherwise prohibit contracts or arrangements to lessen competition and corporations engaging in the practice of exclusive dealing. These exemptions allow conferences to agree upon freight rates, pool earnings and costs, rationalize capacity and restrict new entrants to the conference agreement.

Recent amendments to Part X include the extension of exemptions relating to rate setting to "port to port" type shipping negotiations, the extension of Part X to cover inward conferences, the increase in the powers of the Minister of Transport and the Australian Competition and Consumer Commission to resolve anti-competitive conduct, a requirement that closed conferences accept new members in certain circumstances and allowing shipping conferences to negotiate collectively with stevedores for the provision of stevedoring services to member lines of those conferences.

Recent developments in anti-trust immunities. The anti-trust immunities described above have historically been justified on the grounds that they are necessary to assure shippers of stable freight rates and reliable scheduled liner shipping services. These immunities have been in place in

various forms for many years in the U.S., Canada, EU and Australia. However, they have been gradually eroded and narrowed through legislative and regulatory amendments and court decisions. For example, in 1998 the OSRA introduced measures designed to increase the level of competition in the U.S. between carriers. In 2001, amendments to the SCEA in Canada contained changes similar to those found in the OSRA and which were also designed to increase competition in Canada between carriers.

Three decisions issued by the European Court of First Instance on 28th February 2002 held that the immunities contained in EC Reg. 4056/86 apply only to port to port services, and do not permit fixing of tariffs for the inland leg of intermodal services. Further, the lengthy decision of the European Court of First Instance of 30th September 2003 confirmed in all material respects (save to annul the fines) the substantive Decision of the Commission in the TAA case dated 18th September 1998. It thereby confirmed general guidelines as to certain impermissible conduct on the part of conferences subject to this Regulation.

In May 1999, the Secretariat of the Organisation for Economic Co-operation and Development (the "OECD") published a report entitled "Discussion document on regulatory reform in international maritime transport". The report recommended, among other things, that agreements among carriers to set common rates should no longer receive automatic antitrust immunity or exemption.

In April 2002, the OECD Secretariat published its final report entitled "Competition Policy in Liner Shipping" (the "OECD Report") which, among other things, concluded that there is no evidence that the liner shipping industry needs to be protected from competition by anti-trust immunity for price-fixing and rate discussions, and that there is no evidence that the conference system leads to more stable freight rates or more reliable shipping services than would be the case in a fully competitive market. The OECD Report concluded that countries should (i) seriously consider removing anti-trust exemptions for common pricing and rate discussion and (ii) have the discretion to retain exemptions for other operational arrangements relating to liner shipping so long as these did not result in excessive market power. The container shipping industry has disputed many of the factual findings contained in the OECD Report and is vigorously opposing the implementation of its recommendations.

In February 2002, the European Commission, noting the Draft OECD Report (published in November 2001 prior to the OECD Report), announced that it would study, and re-assess the justifications for, the existing exemptions for liner conferences provided in EC Reg. 4056/86. This is the first time that EC Reg. 4056/86 will have been formally reviewed by the European Commission since enactment of the

Regulation in 1986. This review process has now proceeded to detailed comments from interested parties on a Commission questionnaire, and a recent public hearing.

Environmental Regulations

United States. In the U.S., ship operators are subject to a number of federal and state laws and regulations with respect to protection of the environment in the course of ship operations in U.S. trade lanes. The primary laws are the Oil Pollution Act of 1990 ("OPA 90") with respect to oil spill liability, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") with respect to spills or releases of hazardous substances, the Federal Water Pollution Control Act ("FWPCA"), also called the Clean Water Act, and the National Invasive Species Act of 1996 ("NISA") with respect to ballast water management.

Under OPA 90, ship owners, operators, and bareboat charterers are deemed "Responsible Parties" and are jointly, severally and strictly liable for all removal costs and other damages caused by oil spills from their ships. Although OPA 90 is primarily directed at oil tankers (which CP Ships does not operate), it also applies to non-tanker ships with respect to the fuel carried on board the ships. OPA 90 limits the liability of non-tanker owners to the greater of \$600 per gross ton or \$500,000 per discharge, which may be adjusted periodically for inflation. The liability limits do not apply if the incident was caused by the Responsible Party's gross negligence, wilful misconduct, or a violation of an applicable federal safety, construction, or operating

regulation. In addition, the liability is not limited if the Responsible Party fails to report the oil spill or fails to cooperate or comply with a removal order.

OPA 90 requires all Responsible Parties to establish and maintain evidence of financial responsibility sufficient to meet the maximum liability to which it could be subject under OPA 90. Financial responsibility may be established by any combination of the following: evidence of insurance, surety bond, guarantee, letter of credit, qualification as self-insurer or other evidence of financial responsibility. CP Ships believes that it has sufficient insurance with its P&I Clubs to cover damages that might arise under OPA 90. However, OPA 90 specifically preserves state law liability and remedies, whether by statute or common law, which liability is not subject to the OPA 90 limitations of liability. Some states have enacted legislation providing for unlimited liability for oil spills both in terms of removal costs and damages. As such, overall liability under state law for a spill maybe virtually unlimited, and could theoretically exceed CP Ships' available insurance coverage in the case of a catastrophic spill.

CERCLA governs spills or releases of hazardous substances other than petroleum, natural gas, and related products. CERCLA imposes strict and joint and several liability on the owner or operator of a ship, vehicle or facility from which there has been a release, as well as other responsible parties. Spills or releases could occur during shipping, land transport, terminal or transport-related operations. Damages may include removal costs, natural resource damages, and economic losses without regard to physical damage to a proprietary interest.

The Clean Water Act prohibits the discharge of oil or hazardous substances and imposes strict liability in the form of penalties for damages and remedial costs. The Clean Water Act now serves largely to provide backup coverage with respect to remedial costs to the more recent OPA 90 and CERCLA.

NISA was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters calling for voluntary mid-ocean ballast water exchange, retention of ballast water onboard the ship, or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. If the mid-ocean ballast exchange is made mandatory throughout the U.S., or if water treatment requirements or options are instituted, the costs of compliance could increase for ocean carriers, including CP Ships.

Canada. In Canada, shipowners are faced with a number of Canadian federal and, concurrently, provincial environmental laws which do or may apply to shipping operations and related activities in Canadian waters. The federal laws include the Marine Liability Act, Canada Shipping Act, Canadian

Environmental Protection Act and Fisheries Act. The Marine Liability Act ("MLA") gives effect to the International Convention on Civil Liability for Oil Pollution Damages, 1992 and the International Convention on the Establishment of the International Fund for Compensation for Oil Pollution Damage as amended by protocols in 1976 and 1992. The MLA imposes liability on the shipowner for oil pollution damage and for costs and expenses to prevent, repair, remedy or minimize that pollution. Unless the pollution results from a personal act or omission of the shipowner committed with intent to cause the pollution, or recklessly and with knowledge that pollution damage would probably result, the maximum liability of the shipowner is limited to 4,510,000 International Monetary Fund Special Drawing Rights for the first 5,000 tons and 631 Special Drawing Rights per subsequent ton, to a maximum of 89,770,000 Special Drawing Rights. The law requires that certificates of insurance or other security be issued in respect of each ship. All of CP Ships' owned ships carry such certificates.

The Marine Liability Act, Canada Shipping Act, Canadian Environmental Protection Act and Fisheries Act and comparable provincial laws, prohibit dumping of deleterious substances in water which would adversely affect the fishery and other aspects of the environment. These statutes can be publicly or privately prosecuted and in some cases create a civil cause of action. Common law causes of action may also be available for those affected by acts of pollution. Those laws, as well as the common law, create a civil cause of action against the offender.

The CP Ships terminals in Montreal are subject to various federal and province of Quebec environmental laws. The Quebec Environmental Quality Act imposes liability jointly and severally on all persons who have ownership, custody or control over contaminants and persons responsible for emission,

deposit or discharge of any contaminant.

Australia. Australian law governing marine pollution from ships takes the form of domestic enactment of international conventions. The Commonwealth, the States and the Northern Territory of Australia have all legislated to give effect to some of the conventions listed below, but there is no uniformity between the various jurisdictions. Different jurisdictions have given effect to different conventions in different ways. The core of MARPOL 73/78 (referred to below) has been adopted in Australia by the Protection of the Sea (Prevention of Pollution from Ships) Act, 1983 ("PSA"). All of the States of Australia and the Northern Territory have their own legislation implementing Annex I and II of MARPOL.

Effective as at October 2001, the PSA was amended to include provisions: (a) requiring ships of 400 tons or more, or certified to carry 15 or more persons, to have a shipboard waste management plan and to carry and maintain a garbage record book; (b) expanding incident reporting requirements so that ships of 15 metres or more must report any incident that affects the safety of the ship having the potential to result in pollution (previously reporting was required in respect of an incident only when there was a probability of pollution) and (c) empowering surveyors to require a ship to discharge waste in port, where it becomes clear that the ship would have to discharge some waste at sea before reaching its next port of call.

The Commonwealth and State Acts implementing Annex I and II of MARPOL (a) prohibit the discharge of oil or an oily mixture into the sea subject to certain exceptions; (b) impose a duty to report certain incidents involving oil or an oily mixture; and (c) require all Australian tankers or ships over 400 GRT (Gross Registered Tonnage) to maintain an oil record book according to the regulations outlined in those Acts. A maximum penalty of A\$1.1 million can be imposed against the owner of a ship and A\$220,000 against the master of a ship for breaches of the Acts. In New South Wales, oil pollution legislation effective as of 1st November 2002 increased the maximum penalties for pollution from A\$220,000 to A\$500,000 for individuals and from A\$1.1 million to A\$10 million for corporations. These new penalties are the highest fines in Australia for marine oil and chemical spills.

The International Convention on Civil Liability for Oil Pollution Damage, 1969 (known as CLC), as amended by Protocols dated 1976, 1984 and 1992, was implemented by the Commonwealth by enactment of the Protection of the Sea (Powers of Intervention) Act, 1981. The Dumping Convention was implemented by the Commonwealth by enactment of the Environment Protection (Sea Dumping) Act, 1981. That Act was amended in 1994 to give effect to Australia's obligations under the Protocol for the Prevention of Pollution of the South Pacific Region by Dumping ("SPREP") Protocol. Legislation was passed in 1993 to give effect to the Fund Convention in Australia. The Protection of the Sea (Oil Pollution Compensation Fund) Act,

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1993 provides for who is to contribute to an international oil pollution compensation fund, how much they must contribute and how such contributions are to be completed.

The Protection of the Sea (Civil Liability) Amendment Act, 2000 provides that: (a) ships over 400 GRT will be required to have appropriate insurance in place to meet liabilities arising from pollution damage caused by the discharge of oil; and (b) a breach of this Act will result in a strict liability offence which carries penalties of up to A\$55,000.

International. Globally, the International Maritime Organization ("IMO") has adopted MARPOL 73/78, which relates to environmental standards including oil leakage or spilling, garbage management, as well as the handling and disposal of noxious liquids, harmful substances in packaged forms, sewage and air emissions. Compliance with MARPOL is not yet mandatory. However, CP Ships endeavours to comply with all materially relevant provisions of the convention.

The IMO adopted the International Convention for the Safety of Life at Sea or SOLAS Convention, which imposes a variety of standards to regulate design and operational features of ships. SOLAS standards are revised periodically. CP Ships believes that all ships, either owned or chartered by it, comply with SOLAS standards. SOLAS also incorporates the International Safety Management Code ("ISM"). The ISM requires, among other things, ship operators to implement environmental and safety management systems. CP Ships has obtained ISM accreditation for all its owned ships and for the management companies operating those ships.

The majority of CP Ships' marine operations activities has been

certified to the ISO 14001 Environmental Management standard. The purpose of ISO 14001 certification is to ensure that all company marine operations activities which relate to the environment conform to a specific standard which makes it mandatory to comply with relevant international conventions, national and local laws and regulations and create the framework required to continuously improve directly or indirectly related internal processes, procedures and activities. Certification of CP Ships' remaining marine and terminal operations is expected during the course of 2004.

All of CP Ships' owned and chartered ships operate under the International Ship Management Code's standard of safe operations. CP Ships' owned ships are registered with internationally recognized Classification Societies including Lloyds, Bureau Veritas, ABS, and DNV. The principal purpose of Classification Societies is to provide objective and independent confirmation to the insurance underwriters that ships are being maintained to the standards that are considered appropriate to minimize claims on underwriters. A beneficial by-product of the activities of Classification Societies is to provide reassurances to owners and others with a financial or other interest in those ships that they are being regularly surveyed and properly maintained.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Prior to 1st October 2001, CP Ships Holdings Inc. ("CPSHI") was the wholly owned holding company of CPL's container shipping interests. On 1st October 2001, as part of a Plan of Arrangement, CPL distributed its interests in CPSHI to CP Ships, a newly created subsidiary company of CPL. CPL then distributed its investment in CP Ships to its common shareholders on the basis of one new common share in CP Ships for four old CPL common shares. Where appropriate, share numbers in the financial statements reflect the effect of the Plan of Arrangement applied retroactively. As both CPSHI and CP Ships were under the control of CPL at the time, the transactions have been accounted for in a manner similar to a pooling-of-interests and the historical financial information of CPSHI has become the historical financial information of the now publicly held CP Ships.

Subject to the foregoing, the following table sets forth certain financial information for CP Ships or its predecessor and its subsidiaries on a consolidated basis under Canadian Generally Accepted Accounting Principles for the last three fiscal years.

Consolidated Statements of Income Data
(US\$ millions, except amounts per share, presented in \$)

<TABLE>
<CAPTION>

	Year ended 31st December		
	2003 (6) (as restated)	2002 (6) (as restated)	2001 (1)
<S>	<C>	<C>	<C>
Revenue	3,130	2,687	2,646
Expenses	(3,028)	(2,611)	(2,507)
Operating income before exceptional items (2)	102	76	139
Exceptional items	(10)	2	(43)
Operating income	92	78	96
Interest (expense), net	(36)	(23)	-
Income tax expense	(3)	(10)	(12)
Minority interest	-	-	1
Goodwill charges (3)	-	-	(16)
Net income (3)	\$ 53	\$ 45	\$ 69
Earnings per common share basic before exceptional items (3) (4) (5)	\$0.70	\$0.51	\$1.37
Earnings per common share basic (3) (4)	\$0.59	\$0.53	\$0.83
Earnings per common share diluted (3) (4)	\$0.57	\$0.52	\$0.83
Cash dividend declared per common share	\$0.16	\$0.16	-
Cash dividend declared per preference share	-	-	\$17.69

<TABLE>
<CAPTION>

Consolidated Balance Sheet Data
(US\$ millions)

	At 31st December		
	2003 (6) (as restated)	2002 (6) (as restated)	2001 (1)
<S>	<C>	<C>	<C>
Cash and cash equivalents	75	110	116
Property, plant and equipment	1,235	1,134	774
Total assets	2,500	2,487	1,923
Total long-term liabilities	639	589	223
Total debt	651	597	230
Common share capital	686	685	597
Shareholders' equity	1,278	1,218	1,096

</TABLE>

- (1) The 2001 financial statements have been revised. See note 2 to CP Ships' 2002 Financial Statements.
- (2) Exceptional items include an exceptional charge in 2001 of \$43 million, an exceptional credit in 2002 of \$2 million and an exceptional charge of \$10 million in 2003.
- (3) Goodwill was not amortized in 2003 and 2002 due to changes in Canadian GAAP. The impact of not amortizing goodwill for the year ended 31st December 2001 would have been to increase net income by \$16 million, and increase basic and diluted earnings per share by \$0.20.
- (4) Earnings per common share is calculated after deduction of preference dividends in the years ended 31st December 2003, 2002 and 2001 of \$0, \$0 and \$3 million, respectively. Basic and diluted earnings per common share have been calculated using net income (as restated, see note (6) below) after deducting the preference shares dividend divided, by 89.8 million and 92.6 million shares, respectively, for the year ended 31st December 2003 and 84.8 million and 86.1 million shares, respectively, for the year ended 31st December 2002 and 79.3 million and 79.9 million shares, respectively, for the year ended 31st December 2001.
- (5) Exceptional items include a charge of \$10 million in 2003, a credit of \$2 million in 2002 and a charge of \$43 million in 2001.
- (6) On 16th August 2004, CP Ships' restated the previously reported results for 2003 to reflect an increase in container shipping costs of \$23 million and a reduction in revenue of \$6 million, resulting in a reduction in net income of \$29 million. At the same time, 2002 results were also restated to reflect an increase in container shipping costs and a reduction in net income of \$7 million.

The balance sheet as at 31st December 2003 has been restated to increase accounts payable and accrued liabilities by \$30 million and to reduce accounts receivable by \$6 million, with a corresponding reduction of \$36 million in retained earnings.

The balance sheet as at 31st December 2002 has been restated to increase accounts payable and accrued liabilities by \$7 million with a corresponding \$7 million reduction in retained earnings.

a) Impact of restatement of consolidated statements of income

The impact of the restatements on net income for the years ended 31st December 2003 and 2002 are as follows:

<TABLE>
<CAPTION>

US\$ millions	31st December 2003	31st December 2002
<S>	<C>	<C>
Net income - as previously reported	82	52
Adjustments:		

Revenue		

Container shipping operations (i)	(6)	-
Expenses		
Container shipping operations (ii), (iii)	(23)	(7)
	-----	-----
Total adjustments	(29)	(7)
	-----	-----
Net income - as restated	53	45
	-----	-----

</TABLE>

- (i) Adjustment required to eliminate revenue-related balances that should not have been included on the balance sheet. Of this amount \$3 million is to eliminate intercompany items previously not eliminated on consolidation and included within

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accounts receivable. A further \$3 million relates to the elimination of other miscellaneous revenue-related balances which should not have been recognized as revenues and accounts receivable.

- (ii) The 2003 adjustment includes \$20 million to correct the level of accruals established for container shipping costs. These underaccruals resulted from issues that affected certain of the processes and controls required to make and maintain reasonable estimates of accruals. A further \$2 million relates to an incorrect reversal of cost accruals. An additional \$1 million relates to the elimination of certain other cost-related balances.
- (iii) The 2002 adjustment of \$7 million is to charge additional costs for container shipping operations, required as a result of the unintentional recording of an intercompany liability within accruals and the subsequent charging of third party costs against this balance.

None of the adjustments reflected above are affected by income taxes and therefore no restatement of the company's previously reported provisions for income taxes is required.

- b) Impact of restatement on consolidated statements of retained earnings

<TABLE>
<CAPTION>

	31st December 2003	31st December 2002	31st December 2001
US\$ millions			
	-----	-----	-----
<S> Retained earnings - as previously reported	<C>	<C>	<C>
	615	547	509
Adjustments	(36)	(7)	-
	-----	-----	-----
Retained earnings - as restated	579	540	509
	-----	-----	-----

</TABLE>

As at 31st December 2003, accounts receivable has decreased by \$6 million and accounts payable and accrued liabilities have increased by \$30 million.

As at 31st December 2002, accounts payable and accrued liabilities have increased by \$7 million.

- c) Impact of restatement on segmented reporting

The impact of the restatement on operating income by segment for the years ended 31st December 2003 and 2002 is as follows:

<TABLE>
<CAPTION>

2003						

US\$ millions	Trans Atlantic	Australasia	Latin America	Asia	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating income before exceptional items as reported in 2003	82	27	15	(8)	15	131
Restatement	(17)	(3)	(4)	(4)	(1)	(29)
Restated operating income before exceptional items	65	24	11	(12)	14	102

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2002						

US\$ millions	Trans Atlantic	Australasia	Latin America	Asia	Other	Total
Operating income before exceptional items as reported in 2002	60	27	21	(38)	13	83
Restatement	(4)	-	-	(3)	-	(7)
Restated operating income	56	27	21	(41)	13	76

</TABLE>

Dividend Policy

On 16th August 2004, CP Ships' Board of Directors declared a dividend for the second quarter of 2004 of \$0.04 per common share (\$3.6 million in aggregate), payable on 6th September 2004.

The Board of Directors determines the amount of the quarterly dividends based on its view of anticipated net income and in accordance with CP Ships' capital expenditure and working capital needs as well as its strategic spending plans. Should the Board's view change, the amount of the dividend could be increased, decreased or eliminated entirely.

The Board of Directors is under no obligation to declare dividends and the declaration of dividends is wholly within its discretion. Restrictions under CP Ships' existing or future financing agreements and the provisions of applicable law preclude, or may preclude, the payment of dividends in certain circumstances.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to CP Ships' revised Management's Discussion and Analysis for the year ended 31st December 2003, which is incorporated by reference in this Annual Information Form.

MARKET FOR SECURITIES

Stock Exchange Listings

The common shares are traded on The TSX and the NYSE and trade under the symbol "TEU".

DIRECTORS AND MANAGEMENT

Directors

Set out below are the names, municipality of residence, business addresses, offices within CP Ships and principal occupations within the past five years of the directors of CP Ships together with the common shares beneficially owned or controlled by such individuals as at 29th February 2004. As at 31st March 2004, no single director beneficially owns or controls 1% or more of the common shares.

<TABLE>
<CAPTION>

Name, Municipality of Residence and Business Address if different from CP Ships	Office	Principal Occupation (where different from office)	Number of Common Shares Beneficially Owned or Controlled as at 29th February 2004
<S>	<C>	<C>	<C>
John P. Bowmer..... Atherton, California	Director since October 2001	Corporate Director	6,503
Business Address: 100 Redwood Shores Parkway Redwood City California, U.S.A. 94065			
Robert J. Clanin..... Alpharetta, Georgia	Director since October 2001	Corporate Director	6,486
Business Address: 14780 East Bluff Road Alpharetta Georgia, U.S.A. 30004			
Peter J. Dey..... Toronto, Ontario	Director since October 2001	Partner, Osler Hoskin & Harcourt LLP (law firm)	8,735
Business Address: 1 First Canadian Place Toronto, Ontario Canada M5X 1B8			
Frank J. Halliwell..... Tampa, Florida	Director since October 2001 and Chief Executive Officer		201,790 (1)
Business Address: 401 East Jackson St., Suite 3300 Tampa Florida, U.S.A. 33602			

Name, Municipality of Residence and Business Address if different from CP Ships	Office	Principal Occupation (where different from office)	Number of Common Shares Beneficially Owned or Controlled as at 29th February 2004
John D. McNeil..... Toronto, Ontario	Director since October 2001	Corporate Director	23,735
Business Address: 150 King Street West Toronto, Ontario Canada M5H 1J9			
Raymond R. Miles..... London, England	Director since October 2001 and Chairman		276,116 (2)
Business Address: 2 City Place Beehive Ring Road Gatwick Airport RH6 0PA England			
Nigel M.S. Rich London, England	Director since October 2001	Corporate Director	3,387
Business Address: 7 Lower Sloane Street London SW1W 8AY England			
Ian J. Webber..... Kent, England	Director since October 2001 and Chief Financial Officer		135,318 (3)
Business Address: 2 City Place Beehive Ring Road Gatwick Airport RH6 0PA England			
Viscount Weir... .. Glasgow, Scotland	Director since October 2001 and Lead Director since May 2004	Corporate Director	3,895
Business Address: 2 City Place Beehive Ring Road Gatwick Airport RH6 0PA England			

</TABLE>

- (1) As at 29th February 2004, Frank J. Halliwell held 201,790 common shares of which 131,778 are Restricted Shares, 41,778 of which vest on 18th October 2004 and 41,778 vest on 1st December 2005, and 48,222 subject to company performance criteria also vest on 1st December 2005, all under compensation plans.
- (2) As at 29th February 2004, Raymond R. Miles held 276,116 common shares of which 184,445 are Restricted Shares, 73,778 of which vest on 18th October 2004 and 73,778 vest on 1st December 2005, and 36,889 subject to company performance criteria also vest on 1st December 2005, all under compensation plans.
- (3) As at 29th February 2004 Ian J. Webber held 135,318 common shares of which 103,556 are Restricted Shares, 33,556 of which vest on 18th October 2004 and 33,556 vest on 1st December 2005, and 36,444 subject to company performance criteria also vest on 1st December 2005, all under compensation plans.

Ray Miles was appointed Chairman following the annual meeting on 4th May 2004. He joined CP Ships in 1988 as Chief Executive Officer. He has worked in the shipping industry since 1972. He is a non-executive Director of Provident Financial and West of England P&I Club, Chairman of Box Club the container shipping industry's CEO forum, Chairman of the World Shipping

Council, the industry's US representative organization, and a trustee of the National Maritime Museums at both Greenwich, London and Falmouth, Cornwall.

Viscount Weir, was appointed Lead Director following the annual meeting on 4th May 2004. He was Chairman of CP Ships from 2001 to 2004. Viscount Weir also served as Chairman of Balfour Beatty, one of the UK 's largest construction companies until May 2003. He was Chairman of the Weir Group, a UK-based

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mechanical engineering group, from 1983 to 1999. He is also a Director of St James's Place Capital and Canadian Pacific Railway. Formerly, he was a Director of the Bank of England, British Steel and CPL. He is Chairman of the Compensation Committee and a member of the Audit and Corporate Governance Committees.

John Bowmer was Chairman of Adecco of Switzerland, the world's largest international staffing and recruitment company until 2004. He was Chief Executive Officer of Adecco from 1996 to 2002 and Chief Executive Officer of its predecessor, Adia, since 1993. He has served in a variety of executive positions in the UK, Asia, Australia and the US since he joined Adia in 1987. He is a member of the Audit, Corporate Governance and Compensation Committees.

Robert Clanin is Chairman of Overseas Partners, a Bermuda reinsurance company, a Director of Caraustar Industries, which produces recycled packaging, of John H Harland, a financial services company and of Serologicals, a global provider of biological products. He was Chief Financial Officer of United Parcel Service, the US-based international parcel delivery and logistics company, from 1994 to 2001, having joined the company in 1971. He oversaw what was at the time the largest ever initial public offering of stock in the US. He is a member of the Audit, Corporate Governance and Compensation Committees.

Peter Dey was Chairman of Morgan Stanley Canada from 1998 until 2001 and President from 1994. From 1985 to 1994 he was a partner in the Canadian law firm Osler, Hoskin & Harcourt which he first joined in 1969 and to which he returned as a partner in 2001. He was Chairman of the Ontario Securities Commission from 1983 to 1985 and was responsible for the Dey Report on corporate governance in Canada. He is a director of Stelco, Camco, Workbrain Corporation and Atlas Cold Storage Income Trust. He is Chairman of the Corporate Governance Committee and a member of the Audit and Compensation Committees.

Frank Halliwell was appointed Chief Executive Officer of CP Ships following the annual meeting on 4th May 2004. He previously served as Chief Operating Officer since 2001, having been Executive Vice President since 1995. He has filled a number of senior roles in the CP Ships group since joining Canada Maritime as Commercial Director in 1991. He entered the container shipping industry in 1971.

John McNeil was Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada from 1988 to 1998 and Chairman until retirement in 1999, having originally joined the company in 1956. He is a Director of Sun Life Financial. He serves as Chairman of Fairmont Hotels and Resorts having been Director of its former parent company, Canadian Pacific Limited from 1992 to 2001. He is also a Director of Shell Canada and DWL (USA). He is Chairman of the Audit Committee and a member of the Compensation and Corporate Governance Committees.

Nigel Rich is Chairman of Exel, the global logistics business. He is also Chairman of the Hamptons Group, a real estate services company, and a Director of Pacific Assets Trust. He spent 20 years with the Jardine Matheson group in Asia and was its Chief Executive from 1989 to 1994. He is a member of the Audit, Compensation and Corporate Governance Committees.

Ian Webber, a Chartered Accountant, was appointed Chief Financial Officer in 1996 after 17 years with PricewaterhouseCoopers LLP, the last five as an audit partner.

The Articles of Amalgamation of CP Ships provide for a minimum of three and a maximum of 15 directors. The directors are empowered to exercise all the powers of CP Ships, including the power to borrow money. A director may not vote in respect of any contract, arrangement, transaction or proposal in which he, or any person connected with him, has any material interest other than by virtue of his interests in securities of, or otherwise in or through, CP Ships. A director shall not vote or be counted in any quorum concerning his own appointment or terms of his appointment. Directors are not required to hold any shares of CP Ships by way of qualifications but the board has decided that each should own 10,000 shares within five years of election. There is a mandatory retirement for a director at the AGM after reaching 70 years of age, however, the board may waive the mandatory disqualification for directors having reached 70 years of age for successive one year periods when it is in the best interests

Management

The names, municipality of residence and principal occupations within the past five years of CP Ships' senior officers who are not directors are shown below. Unless otherwise noted below during the past five years each of the following senior officers has been engaged in the principal occupation shown opposite his name or in another position with the same or an affiliated company.

Salvador Bruno, Tampa, USA, Senior Vice-President, joined in July 1997 with the acquisition of Lykes Lines, where he had worked since 1985 having served in a number of senior positions until his appointment as VP Commercial.

Terry Burrows, Sussex, England, Senior Vice-President, appointed in August 2000. He joined CP Ships in 1964 and has served in various senior commercial and marketing roles for the Montreal Gateway.

Dave Dawson, Sussex, England, Senior Vice-President, was appointed in January 2003. He joined CP Ships in 1966 and has held a number of senior administrative and commercial positions.

Jeff Drake, London, England, was appointed Vice-President Logistics in June 2004. He joined CP Ships in October 2000 and previously served as Vice President Corporate Planning. From 1998, he was Director Marketing and Planning for Contship Italia in Italy and before that a partner with Mercer Management Consulting in Boston, Massachusetts.

Juan Manuel Gonzalez, Tampa, USA, was appointed Executive Vice-President in July 2004, he was previously Senior Vice President and joined CP Ships on the merger with TMM in 1999.

Glenn Hards, Tampa, USA, was appointed Executive Vice-President in July 2004. He joined CP Ships in 1978 and has held management positions in finance, audit and business development.

John Irving, Surrey, England, Vice-President General Counsel and Secretary, joined CP Ships in June 2001 after five years as Senior Vice-President and General Counsel for Dairyworld Foods in Vancouver, British Columbia. He was Vice-President, General Counsel and Secretary of Emco Limited from 1993 to 1996.

JP LaCasse, Tampa, USA, Senior Vice-President, joined in January 1998. Before that he was with APL for nine years, most recently as North American Controller. He started in the shipping business in 1978 as international tax counsel for Sea-Land Service Inc.

Jeremy Lee, Montreal, Canada, Vice-President Investor Relations since June 2001. He joined CP Ships in 1989 and has served in various senior commercial, marketing and corporate planning positions.

Jeremy Masters, Sussex, England, was appointed Senior Vice-President in May 2004. He joined CP Ships in 1984 and previously served in a number of senior commercial positions.

Paul Stone, Essex, England, Vice-President Human Resources, was appointed in November 1999 after serving as General Manager, Human Resources for Contship Containerlines since 1996. Previously he was UK HR Manager for Deloitte & Touche and previously in similar roles in other companies.

Iain Torrens, London, England, Vice-President Treasurer, was appointed in January 2002. He joined from Cookson Group where he was Deputy Group Treasurer.

There is no family relationship between any of the directors and officers.

Committees of the Board of Directors

The Board of Directors of CP Ships has constituted three standing committees - an Audit Committee, a Compensation Committee and a Corporate Governance Committee. Each standing committee is comprised of non-employee directors. Matters regarding employee health and safety and the protection of the environment are dealt with by the full Board of Directors.

Audit Committee

The mandate of the Audit Committee includes:

- o Reviewing with management and CP Ship's internal and external auditors, the financial reporting in connection with the annual audit and the preparation of the financial statements including the judgement of the external auditors as to the quality and appropriateness of CP Ship's accounting principles.
- o Reviewing CP Ship's Quarterly Financial Statements and recommending the release of those statements to the public.
- o Discussing with management the policies and procedures for managing the principal financial risks of the business to satisfy themselves that the principal financial risks have been identified and that systems have been implemented to effectively manage these risks.
- o Reviewing the effectiveness of CP Ship's disclosure controls and procedures and internal financial controls.
- o Subject to shareholder approval, selecting, retaining and where appropriate replacing the external auditors, including a review and discussion with the external auditors of all significant relationships that the external auditors and their affiliates have with CP Ships.
- o Approving the audit and non-audit services and fees of the external auditors.
- o Establishing procedures for anonymous complaints regarding questionable accounting or auditing matters.

The Chairman of the Audit Committee is John McNeil and the members are John Bowmer, Robert Clanin, Peter Dey, Nigel Rich and Viscount Weir.

Corporate Governance Committee

The mandate of the Corporate Governance Committee includes:

- o Monitoring and assessing the functioning of the Board and the committees of the Board and developing and implementing good corporate governance practices.
- o In consultation with the Chairman and the CEO, reviewing the size, composition and profile of the Board and identifying candidates to be appointed to fill any vacancies.
- o Reviewing from time to time the compensation for the Board and for committee service.
- o Reviewing and making recommendations to the Board from time to time with respect to the performance of the Board and various committees of the Board.

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The Chairman of the Corporate Governance Committee is Peter Dey and the members are John Bowmer, Robert Clanin, John McNeil, Nigel Rich and Viscount Weir.

Compensation Committee

The mandate of the Compensation Committee includes:

- o Defining the reporting relationships of senior management and its major business units
- o Reviewing on a regular basis, succession plans for senior management positions
- o Assessing the performance of senior management, their compensation and reviewing the compensation policy of CP Ships.

The Chairman of the Compensation Committee is Viscount Weir and the members are John Bowmer, Robert Clanin, Peter Dey, John McNeil and Nigel Rich.

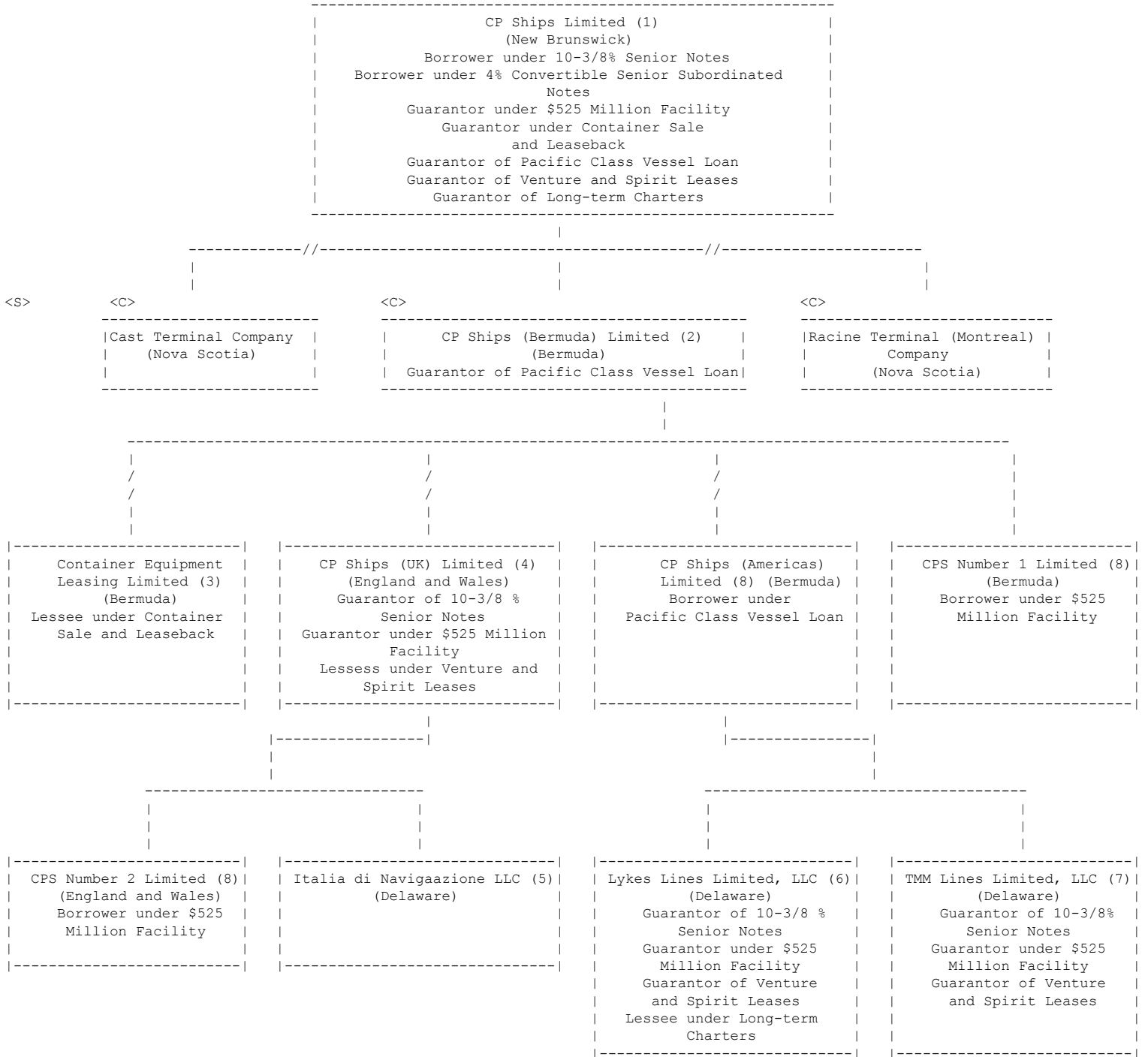
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DESCRIPTION OF INDEBTEDNESS AND OTHER OBLIGATIONS AND TAXATION OF CP SHIPS AND SUBSIDIARIES

The following is a summary of the terms and conditions of CP Ships' revolving credit facility, 10-3/8% Senior Notes due 2012, 4% Convertible Senior Subordinated Notes due 2024, Pacific Class Vessel loan, and certain capital leases and other operating leases. This summary is necessarily of a general nature and does not purport to describe all of the terms and conditions of such financing transactions.

Indebtness Corporate Structure

<TABLE>
<CAPTION>



</TABLE>

- (1) CP Ships owns a 100% interest in Racine Terminal (Montreal) Company and Cast Terminal Company indirectly through CP Ships (Canada) Holdings Company, which is incorporated in Nova Scotia.
- (2) CP Ships (Bermuda) Limited holds a 100% interest in (i) CP Ships (UK) Limited indirectly through three intermediate holding companies, one of which is incorporated in Bermuda and the other two in England and Wales, (ii) CP Ships (Americas) Limited through an intermediate holding company incorporated in Bermuda.
- (3) Owns and leases CP Ships' containers.
- (4) Services are marketed under the following brands: Canada Maritime, Cast, Contship Containerlines and ANZDL.
- (5) Services are marketed under the Italia brand.
- (6) Services are marketed under the Lykes Lines brand.
- (7) Services are marketed under the TMM Lines brand.
- (8) Ship-owning company.

Revolving Credit Facility

\$525 Million Facility

On 25th March 2004, CP Ships and certain of its subsidiaries entered into a \$525 million secured revolving credit facility (the "\$525 Million Facility") with a syndicate of financial institutions represented by ING Bank NV, as agent and security trustee. The \$525 Million Facility replaces CP Ships' previous \$175 million and \$350 million revolving credit facilities, which have been cancelled. The \$525 Million Facility has a five-year term expiring in March 2009. Borrowings under the \$525 Million Facility are by subsidiaries of CP Ships (CPS Number 1 Limited and CPS Number 2 Limited), are presently secured by 25 owned ships, and are guaranteed by CP Ships, Lykes LLC, TMM LLC and CP Ships (UK).

Under the \$525 Million Facility, CP Ships must pay interest on amounts borrowed at a rate equal to LIBOR (or, in relation to any advance in Euro, Euribor), plus the applicable margin and mandatory costs (if any), in addition to a quarterly commitment fee on the unused portion of the \$525 Million Facility equal to 40% of the applicable margin. The applicable margin is based on the average of the Moody's and S&P corporate ratings of CP Ships. For so long as CP Ships' corporate ratings continue to be Ba2 (as rated by Moody's) and BBB-- (as rated by S&P) and the amount outstanding under the \$525 Million Facility is less than 50% of the total commitments thereunder at such time, the applicable margin is 1.10%. The applicable margin is subject to adjustment in the event of a change in such ratings. If the amount outstanding under the \$525 Million Facility is more than 50% of the total commitments thereunder at such time, the applicable margin is increased by a further 0.15%.

Under the \$525 Million Facility, CP Ships may borrow an amount up to the aggregate of 75% of the appraised value of the ships on which the facility is secured. The value of all secured ships is subject to an annual reappraisal and, to the extent that borrowings under the facility exceed the 75% threshold, CP Ships may be required to reduce the borrowings within 15 business days of notification. CP Ships may also be required to make a prepayment if and to the extent that the sale or total loss of a ship, or the release of a mortgage on a ship results in borrowings under the facility exceeding the 75% threshold. Based on the appraised value of the 25 secured ships, CP Ships was able to borrow \$525 million under the \$525 Million Facility as at 3rd September 2004.

Voluntary prepayments, including partial prepayments, are permitted under the \$525 Million Facility and amounts prepaid may be re-borrowed.

As guarantor, CP Ships is subject to certain financial and other covenants including: (i) an ongoing obligation to maintain free liquid assets (defined as credit balances on current or deposit accounts, short-term (less than one-year maturity) certificates of deposit, investments in money market funds rated AAA by S&P or Aaa by Moody's, and amounts up to \$35 million of any unutilized, committed credit facilities with a remaining term of greater than one year) of at least \$75 million; (ii) an ongoing obligation to maintain consolidated tangible net worth (defined as shareholders' equity less any goodwill and other intangibles) equal to or in excess of \$500 million; (iii) an ongoing obligation to ensure that the ratio of total debt (excluding up to \$225 million of subordinated debt) and capitalized lease obligations (excluding (a) the impact of ship charters which commence on a future date and (b) leases of office equipment, office premises, motor vehicles, trucks and chassis) to shareholders' equity does not exceed 1.2 to 1.0; (iv) an ongoing obligation to ensure that the ratio of total debt (excluding up to \$225 million of subordinated debt) to earnings before interest, depreciation, taxes and amortization does not exceed 4.0 to 1.0.

In addition to events of default customary for this type of facility, any event of default or default with respect to CP Ships, Lykes LLC, TMM LLC and CP Ships (UK) or the borrowing subsidiaries' indebtedness for money borrowed having an aggregate principal amount of \$15 million or more would constitute an event of default under the \$525 Million Facility. If CP Ships ceases to be listed on The TSX, the London Stock Exchange or the NYSE (or other approved stock exchanges) or any person or group acquires more than 25% of CP Ships' outstanding common shares, this will constitute a change of control under the \$525 Million Facility and an event of default. The occurrence of an event of default, unless waived by the lenders, will result in all amounts owing under the facility becoming immediately due and payable.

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10-3/8% Senior Notes due 2012

On 3rd July 2002, CP Ships completed a private placement of senior notes in the aggregate principal amount of \$200 million at a price of 97.722% of their principal amount. Following an exchange offer made by CP Ships on 31st October 2002, all of the senior notes were exchanged for senior notes registered under the Securities Act (the "10-3/8% Senior Notes"). The 10-3/8% Senior Notes are issued pursuant to a Trust Indenture dated 3rd July 2002 between CP Ships as issuer, CP Ships (UK), Lykes LLC and TMM LLC (together, the "Note Guarantors") as subsidiary guarantors and The Bank of New York as trustee and reference is made to the Trust Indenture for a full description of the terms and conditions attaching to the 10-3/8% Senior Notes. The 10-3/8% Senior Notes are listed on the Luxembourg Stock Exchange (CUSIP number 22409VAC6).

The 10-3/8% Senior Notes bear interest at 10.375% payable semi-annually and mature in July 2012 unless redeemed earlier. The obligations of CP Ships under the 10-3/8% Senior Notes are guaranteed by the Note Guarantors. Under the terms of the 10-3/8% Senior Notes, CP Ships has the option, in each case subject to payment of any accrued and unpaid interest:

(i) at any time prior to 15th July 2005, to redeem up to 35% of the aggregate principal amount of the 10-3/8% Senior Notes with the proceeds of one or more public equity offerings, at a redemption price equal to 110.375% of the principal amount of the redeemed 10-3/8% Senior Notes;

(ii) at any time prior to 15th July 2007, to redeem any of the 10-3/8% Senior Notes at a redemption price equal to the principal amount thereof plus a redemption premium equal to the greater of (a) 1% of such principal amount and (b) the excess of (x) the present value at the redemption date of the redemption price of such 10-3/8% Senior Notes at 15th July 2007 plus all required interest payments that would otherwise be due to be paid on such 10-3/8% Senior Notes between the redemption date and 15th July 2007 excluding accrued but unpaid interest, computed using a discount rate equal to the U.S. Treasury Rate at such redemption date plus 0.50%; over (y) the principal amount of such 10-3/8% Senior Notes; and

(iii) at any time after 15th July 2007 and prior to their maturity, to redeem any of the 10-3/8% Senior Notes at an applicable fixed redemption price which gradually decreases from 105.188% of the aggregated principal amount of such 10-3/8% Senior Notes if such option is exercised in 2007 to 100% of such amount if such option is exercised in 2010 and thereafter.

Under the terms of the 10-3/8% Senior Notes, if any person or group directly or indirectly acquires 50% or more of CP Ships' outstanding common shares, or if CP Ships consummates certain specific merger or consolidation transactions or sells substantially all of its or its subsidiaries' assets, or the majority of the Board of CP Ships is replaced during any consecutive two year period and, within 90 days of any such event, the credit rating of the 10 3/8% Senior Notes is downgraded or withdrawn by both S&P and Moody's, CP Ships will be required to make an offer to purchase all of the outstanding 10-3/8% Senior Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase.

CP Ships is also required to make an offer to purchase outstanding 10 3/8% Senior Notes in the principal amount equal to any proceeds (when such proceeds exceed \$25 million) from a sale of assets by CP Ships or its subsidiaries that have not been used to repay third-party debt of any subsidiary of CP Ships or to acquire assets, at a price equal to 100% of such principal amount plus accrued interest up to the date of purchase.

The indenture governing the 10-3/8% Senior Notes contains various restrictive covenants that, among other things, limit the ability of CP Ships and each of its subsidiaries to: (i) incur certain additional indebtedness; (ii) pay dividends on capital stock or redeem capital stock or prepay any subordinated debt; (iii) make certain investments; (iv) sell assets other than at a fair market value and for cash or other equivalent consideration; (v) enter into transactions with direct or indirect holders of more than 10% of the common

shares of CP Ships or of its subsidiaries and with affiliates that are not subsidiaries of CP Ships, other than in good faith and on arm's-length terms; (vi) create security interests over any of their respective assets other than certain permitted security interests; (vii) sell shares in its subsidiaries or permit its subsidiaries to issue

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shares; (viii) sell and leaseback assets; (ix) guarantee debt; (x) consolidate, merge or transfer all or substantially all of CP Ships' assets or (xi) in the case of the Note Guarantors, dispose of their respective assets. All of these restrictions are subject to a number of important limitations and qualifications.

Events of default under the 10-3/8% Senior Notes are customary for this type of debt and, among other things, include the occurrence of an event of default or default with respect to CP Ships' or its subsidiaries' indebtedness for borrowed money having an aggregate principal amount of \$20 million or more that results in acceleration of the payment of such indebtedness.

4% Convertible Senior Subordinated Notes due 2024

On 24th February 2004, CP Ships completed a private placement of convertible senior subordinated notes due 2024 (the "Convertible Notes") in the aggregate principal amount of \$200 million at a price of 100% of their principal amount. The Convertible Notes are issued pursuant to an Indenture dated 24th February 2004 between CP Ships and The Bank of New York as trustee (the "Convertible Notes Indenture") and reference is made to the Convertible Notes Indenture for a full description of the terms and conditions attaching to the Convertible Notes. The Convertible Notes are traded in The PORTAL Market (CUSIP number 22409VAD4).

The Convertible Notes bear interest at 4% payable semi-annually and mature 30th June 2024 unless redeemed earlier. The Convertible Notes are unsecured obligations of the Company subordinated in right of payment to all existing and future senior indebtedness.

Under the terms of the Convertible Notes, the Convertible Notes are convertible into common shares of CP Ships at an initial conversion rate of 39.6542 shares per \$1,000 principal amount of Convertible Notes (which results in an initial conversion price of approximately \$25.22 per share), subject to adjustment, prior to the close of business on 30th June 2024 under the following circumstances:

- (i) during any fiscal quarter commencing after 30th June 2004 and only during such fiscal quarter, if the closing sale price of one of CP Ships' common shares exceeds 120% of the conversion price for at least 20 trading days in the 30 trading day period ending on the last trading day of the preceding fiscal quarter;
- (ii) during the five business day period after any five consecutive trading day period in which the trading price per Convertible Note for each day of that period was less than 98% of the product of the closing sale of CP Ships' common shares and the conversion rate for such date;
- (iii) if the Convertible Notes have been called for redemption; or
- (iv) upon the occurrence of certain specified corporate transactions.

On or after 3rd July 2009, by giving investors at least 30 days' notice, CP Ships may redeem any of the Convertible Notes at a redemption price of 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest. Holders may require CP Ships to purchase the Notes on 30th June 2009, 30th June 2014 and 30th June 2019, or upon the occurrence of certain designated events, at a purchase price equal to 100% of the principal amount of the Convertible Notes, plus accrued and unpaid interest.

CP Ships may, in lieu of delivering its common shares upon conversion of all or a portion of the Convertible Notes, elect to pay cash or a combination of cash and common shares.

CP Ships has entered into a registration rights agreement pursuant to which CP Ships has agreed to:

- o File a shelf registration statement with the SEC within 120 days after the closing date of the offering covering resales of the Convertible Notes and the common shares issuable upon conversion of the Convertible Notes;

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- o Use reasonable best efforts to have the shelf registration statement declared effective within 180 days of the closing date of this offering; and
- o Use reasonable best efforts to keep the shelf registration statement effective until the date that there cease to be limitations on resale of the Convertible Notes or common shares thereunder or there are otherwise no longer any outstanding registrable securities.

If CP Ships is party to a consolidation, amalgamation, statutory arrangement, merger, binding share exchange or other combination or a transfer of all or substantially all of CP Ships' consolidated property asset, as determined under applicable law, pursuant to which CP Ships' common shares are converted into, or become the right to receive, cash, securities or other property, a holder may convert Notes at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction, as determined by CP Ships, until 15 days after the effective date of the transaction.

Whilst the Convertible Notes Indenture does not restrict CP Ships ability to incur additional senior indebtedness, CP Ships has agreed not to incur any indebtedness that is contractually subordinate in right of payment to any senior indebtedness unless it ranks pari passu or is contractually subordinated in right of payment to the convertible bonds ; provided, however, that unsecured debt will not be deemed to be subordinate in right of payment to secured debt merely by virtue of its nature as unsecured debt.

Events of default under the Convertible Notes are customary for this type of debt and, among other things, include the occurrence of an event of default or default with respect to CP Ships' or its subsidiaries' indebtedness for borrowed money having an aggregate principal amount of \$25 million or more that results in acceleration of the payments of such indebtedness.

Pacific Class Vessel Loan

CP Ships acquired on 14th September 2001 the beneficial interest in four trusts (the "PCV Trusts"), each of which owns a U.S. flag Pacific Class ship which was and continues to be chartered to Lykes LLC under long-term charter arrangements. Prior to such acquisition, the PCV Trusts had entered into agreements dated 22nd July 1998 with a financial institution pursuant to which they borrowed a total of \$70.5 million (the "Pacific Class Vessel Loan"). As a result of such acquisition, CP Ships effectively acquired the four ships and assumed the Pacific Class Vessel Loan. As at 31st December 2003 the principal amount outstanding under the Pacific Class Vessel Loan was \$37 million.

The obligations of the PCV Trusts under the Pacific Class Vessel Loan are secured on the four ships and are guaranteed by CP Ships and CP Ships (Bermuda). The loan is repayable in monthly instalments with the final instalment being due in June 2008, at an interest rate of 6.71% per annum.

Under the Pacific Class Vessel Loan, CP Ships is subject to certain covenants including: (i) a restriction on the sale of assets outside the ordinary course of business and (ii) an ongoing obligation to ensure that a subsidiary, CP Ships (Bermuda), has a net worth of at least \$100 million.

CP Ships may prepay in whole the Pacific Class Vessel Loan at any time by paying to the lender an amount equal to the principal amount outstanding under the Pacific Class Vessel Loan plus a premium.

Capital Leases

Venture and Spirit Leases

CP Ships (UK) has entered into two leases with Seaspirit Leasing Limited (the "Lessor") to lease from the Lessor two container vessels. The first lease, entered into on 29th May 2003 (the "Venture Lease"), is in relation to a 4080 TEU ice-strengthened container vessel called the "Canmar Venture" (the "Venture") and the second lease, entered into on 23rd July 2003 (the "Spirit Lease"), is in relation to a similar vessel called the "Canmar Spirit" (the "Spirit"). All obligations of CP Ships (UK) under the leases (and/or any of its affiliates which manages either vessel under any related agreements) are guaranteed by CP Ships, Lykes LLC

and TMM LLC.

The primary lease period for each lease is 25 years commencing on the delivery date of the vessel (3rd June 2003 in respect of the Venture and 25th

July 2003 in respect of Spirit and each a "Delivery Date") with one-year secondary lease periods renewable at CP Ships (UK)'s option thereafter. CP Ships (UK) is required to make quarterly rental payments to the Lessor which are determined in accordance with the financial schedule forming part of the relevant lease. The rental instalments during the primary lease period for each lease are calculated by reference to factors such as the cost of the vessel, interest and assumptions as to, in particular, changes in UK tax rates and the level of capital allowances available to the Lessor and is therefore variable throughout the lease.

During the lease period, CP Ships (UK) is liable for all costs and expenses in relation to the operation of the vessels, including but not limited to, the maintenance, repair, insurance and use of the vessels. CP Ships (UK) bears the full risk of any damage to or loss of the vessels.

During June 2004, as part of conforming the financial covenants contained in the Venture Lease and Spirit Lease documentation with those contained in the \$525 million Facility, the Lessee agreed that the Lessor be entitled to review (according to its own criteria) the "creditworthiness" of CP Ships during 2009 and 2019, in order to monitor the adequacy of the guarantees provided by CP Ships. If the Lessor determines, in its sole discretion, that the creditworthiness of CP Ships is inadequate, it can require CP Ships (UK) to provide additional security in respect of each lease by way of letter of credit or other security, or to prepay rental to a specified level. Failure to provide such security and/or make the prepayment will be a termination event. The Spirit Lease is further secured by a 364-day letter of credit (the "LC") with a bank currently rated AA (the "LC Bank") in the maximum aggregate amount of (pound)7,000,000 which decreases throughout the lease period as rental instalments are paid. The Lessor may only make a demand under the LC following a termination of the Spirit Lease and the termination sum (as calculated in the financial schedule) becoming due and payable if not already paid at that time. If the rating of the LC Bank is lower than A- at any time or if the LC is not renewed, and CP Ships has not replaced the LC or otherwise provided additional security acceptable to the Lessor, a termination event would arise under the Spirit Lease.

Other than in connection with the LC, the termination provisions are consistent in both leases and cover standard defaults such as non-payment, breach of representations, warranties and undertakings and insolvency events in respect of the Lessor, CP Ships and any security provider. In particular, there will be a termination event if CP Ships breaches any of its financial indebtedness (including pursuant to any lease agreement or hire purchase agreement) with any other party in excess of \$15,000,000 unless the Lessor notifies CP Ships (UK) that such default does not have a material adverse effect on the ability of CP Ships and/or CP Ships (UK) to discharge its obligations under the leases. There will also be a termination event if CP Ships ceases to be a public limited liability company listed on the stock exchanges of Toronto, London or New York. A termination event under one lease will cross-default the other lease.

Upon the occurrence of a termination event under either lease, the Lessor may require CP Ships (UK) to pay (i) all outstanding amounts under the lease and the associated finance documents; (ii) any loss which the Lessor has incurred in relation to the termination, and (iii) a fixed termination amount as calculated in the relevant financial schedule. On the termination of a lease (either following a termination or mandatory prepayment event or upon expiry), the Lessor irrevocably appoints CP Ships (UK) as its exclusive sales agent for the purpose of negotiating the sale of the vessel with a purchaser. The Lessor may terminate such appointment if no sale has been made within six (6) months of the termination date of the relevant lease. Any sale proceeds which are realized can be used to repay the outstanding amounts under the relevant vessel's lease and any excess can be used to prepay unpaid amounts under the other lease. Upon satisfaction of amounts due under the lease, 99.9% of any excess sale proceeds would be payable to CP Ships.

During June 2004, CP Ships, as guarantor, conformed the financial covenants contained in the Venture Lease and Spirit Lease documentation with those contained in the \$525 Million Facility. See "Revolving Credit Facility".

Other Capital Lease Obligations

CP Ships has entered into a number of other capital leases, which are repayable in monthly installments ending between 2004 and 2007 and are secured on the leased equipment, mainly containers. Obligations under capital leases bear primarily fixed interest rates, which range from 3% to 18%. Interest expense on such leases amounted to \$5 million in 2003 (\$2 million in 2002).

Operating Leases

On 7th November 2000, a subsidiary of CP Ships (the "Container Lessee") agreed to sell containers with a total capacity of approximately 44,350 teu (the "Leased Containers") to a leasing counterparty (the "Lessor") for \$63.9 million, and agreed to lease such containers from the Lessor for a minimum of five years (and up to nine years at the option of CP Ships) under a container lease contract (the "Container Lease"). The obligations of the subsidiary in connection with this transaction are fully guaranteed by CP Ships (the "Container Guarantee"). Under the Container Lease, the Container Lessee is required to make fixed quarterly rental payments to the Lessor based on the amortization of the purchase price plus a specified return to the Lessor. The rate of return to the Lessor is 8.05% if and for so long as CP Ships' long term corporate credit rating by S&P is not lower than BBB-- or CP Ships' long term senior implied rating by Moody's is not lower than Baa3 (whichever is the lower). This rate of return will increase to 8.4% if and for so long as the lower of such ratings is BB+ (in the case of S&P) or Ba1 (in the case of Moody's), and 8.9% if and for so long as the lower of such ratings is BB or lower (in the case of S&P) or Ba2 or lower (in the case of Moody's). For so long as CP Ships' long term senior implied rating by Moody's is Ba2, the rate of return to the Lessor is 8.9%.

During September 2004, CP Ships, as guarantor, conformed the financial covenants contained in the Container Sale and Leaseback documentation with those contained in the \$525 Million Facility. See "Revolving Credit Facility". In addition, the Lessor may require the Container Guarantee and the Container Lease to be amended to include any other financial covenants given by CP Ships (or the Container Lessee) under any future ship mortgage loan, bareboat charter agreement, container financing arrangement or secured long-term credit facility. Under the Container Sale and Leaseback, the Lessor can declare a "material adverse change" if CP Ships' long term corporate credit rating by S&P is lower than BB+ (as at 31st December 2003 it was BBB--) or its long term senior implied rating from Moody's is lower than Ba1 (as at 31st December 2003 it was Ba2), whichever rating is higher from time to time. Such a "material adverse change" could lead to an event of default under the Container Sale and Leaseback.

If any event of default or default occurs with respect to CP Ships' obligations under any contract with the Lessor or under any material contract with a third party having an aggregate principal amount or value in excess of \$5 million, the Lessor may declare an event of default under the Container Sale and Leaseback.

Upon the occurrence of an event of default under the Container Sale and Leaseback, the Lessor may, at its option (i) require CP Ships to repurchase the Leased Containers at a purchase price based on a fixed termination price plus certain breakage costs incurred by the Lessor or (ii) retain ownership of the Leased Containers and demand payment of an amount equal to certain breakage costs incurred by the Lessor. If the Lessor declares an event of default under the Container Sale and Leaseback, this will also constitute an event of default under CP Ships' other financing transactions which, unless waived, will result in all amounts owing thereunder becoming immediately due and payable.

The Container Lessee may at its option, in order to avoid the occurrence of an event of default under the Container Sale and Leaseback, repurchase the Containers at a specified purchase price based on a fixed termination price (as at 31st December 2003, approximately \$54 million).

Under the Container Lease, the Container Lessee has the option exercisable at the end of the fifth, sixth and seventh years of the Container Lease to repurchase the Leased Containers at a fixed purchase price

based on the projected fair market value of the Leased Containers at the relevant time plus the Lessor's breakage costs.

Long-term Charter Arrangements

In June 2000, Lykes LLC entered into individual long term time charter parties (the "Long-Term Charters") for six 4100 teu vessels then under construction. Lykes took delivery of four of the vessels during the first quarter of 2003 and the remaining two vessels during the third quarter of 2003. The Long-Term Charters have been guaranteed by CP Ships.

Each of the Long-Term Charters prescribes an initial hire period (the "Initial Period") of eight years from the date of delivery of the relevant vessel with an option, exercisable at the end of the seventh year, to extend hire for a further two years, or until 2010 (the "Second Period"). Should the charter be so extended, Lykes LLC then has a second option, exercisable at the end of the ninth year of the charter, to further extend hire for another two years (the "Third Period"). The daily rate is fixed, but increases by an agreed amount on each renewal.

In August 2003, CP Ships' subsidiary Lykes LLC entered into individual long term charter parties (the "Seaspan Charters") with affiliates of Seaspan Container Lines Limited ("Seaspan") for nine new 4,250 teu vessels (the "Seaspan Vessels") of identical specifications. The Seaspan Vessels are presently under construction and are scheduled for delivery between 2005 and 2007. Lykes LLC's obligations under each of the Seaspan Charters are guaranteed by CP Ships.

The daily charter hire under each of the Seaspan Charters is for a fixed amount for the primary charter period (the "Primary Term"). Each charter party delineates two distinct payments to Seaspan for the use and hire of the relevant Seaspan Vessel. One payment reflects the capital cost of the Seaspan Vessel and the other reflects certain ship management and operating costs on account of the costs of a management services agreement that is attached to and forms a part of the charter party (the "Management Contract"). Lykes LLC's payment obligations under each Seaspan Charter and the related Management Contract will commence only on delivery of the relevant Seaspan Vessel.

The Primary Term under each Seaspan Charter is up to ten years, with options for CP Ships to extend the charter for up to two further years at a slightly higher daily charter rate; payments under the Management Contract remain fixed at the previous level. The Primary Term is structured such that Lykes LLC has entered into an initial charter period of three years from delivery of each vessel, with seven annual extension options (the "Extension Options"). Each Extension Option must be declared two years in advance, thereby creating a rolling minimum three year obligation. If Lykes LLC does not exercise an Extension Option and the charter terminates at the end of the relevant three year period, Lykes LLC becomes liable to pay Seaspan an additional pre-determined exit fee (the "Exit Fee") at the date of termination.

The Exit Fee payable declines with each renewal such that no Exit Fee is payable if the Primary Term extends to 10 years.

Amounts due under long-term charters are included in the table under the heading "Commitments" below.

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Commitments

CP Ships has commitments under operating leases, including obligations under time charters which include certain ship operating expenses. The commitments in each of the next five years and thereafter are:

<TABLE>
<CAPTION>

Year	Current operating leases	Future commitments (1)	Total
-----	-----	-----	-----
	(in \$ millions)		
<S>	<C>	<C>	<C>
2004.....	204	--	204
2005.....	127	1	128
2006.....	105	25	130
2007.....	94	53	147
2008.....	63	59	122
2009 and thereafter	137	454	591
	---	---	---
	730	592	1,322
	===	===	=====

</TABLE>

(1) Future commitments comprise operating leases and associated management services agreements for 10 years for the Seaspan vessels from their expected delivery dates between late 2005 and early 2007. The lease terms allow for termination at CP Ships' option on an annual basis from the end of the third year of each lease by giving two years notice and paying a termination fee. The associated management services agreements would terminate at the same time. Under the early termination option, the minimum future lease commitments at 31st December 2003 would be \$249 million.

Capital Commitments

CP Ships had capital commitments at 31st December 2003 of \$2 million that fall due in 2004.

Taxation of CP Ships and Subsidiaries

CP Ships is subject to taxation in the countries in which it and its constituent companies operate. CP Ships' corporate structure is such that much of the income it generates from container shipping is subject to tax at relatively low tax rates.

Bermuda

Lykes LLC and TMM Lines are Delaware limited liability companies and are subject to the taxation regimes of their sole member, which is a Bermuda company. Lykes LLC and TMM LLC are, therefore, effectively exempt from income taxation as their sole member has received exemption from income taxation in Bermuda until 28th March 2016. They are however taxed on their activities in certain countries other than Bermuda, including in the U.S., with respect to their operations in those countries.

United States

CP Ships carries on activities in the United States through various subsidiaries of CP Ships Holdings (Bermuda) Limited ("CP Ships Holdings (Bermuda)"), most of which are treated as disregarded entities for U.S. federal income tax purposes. For such purposes, CP Ships Holdings (Bermuda) is considered to earn directly all of the income earned by such subsidiaries. A small amount of activity in the United States, not involving the international operation of ships, is carried on by non-U.S. subsidiaries of CP Ships Holdings (Bermuda) in the East and Canada Maritime divisions that are not disregarded entities for U.S. federal income tax purposes.

Under current law, the income derived by CP Ships Holdings (Bermuda) from the international operation of ships is excluded from gross income and exempt from U.S. federal income tax under Section 883 of the Internal Revenue Code of 1986, as amended. For this purpose, income from the international operation of ships means the gross amount of any income that is derived from the operation of ships in carriage of

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passengers or cargo for hire, from the hiring or leasing of ships for use on a time, voyage or bareboat charter basis for carriage of passengers or cargo for hire, or from activities incidental to such operation, with respect to voyages that either begin or end (but do not both begin and end) in the United States. As a prerequisite to obtaining the benefits of the Section 883 exemption, a corporation claiming these benefits must establish that it satisfies a share ownership test. CP Ships believes that it and CP Ships Holdings (Bermuda) satisfy this test. As a result, the income derived by CP Ships Holdings (Bermuda) from activities in the United States is substantially exempt from U.S. federal income taxation under the Section 883 exemption. However, the income from certain activities, such as acting as ships' agent and freight forwarding, is not considered to be income from the international operation of ships and is not exempt. In addition, recently finalized regulations under section 883 have created some uncertainty as to the precise scope of the activities that are incidental to the international operation of ships, the income from which qualifies for exemption.

To the extent that income earned by CP Ships Holdings (Bermuda) or its non-U.S. subsidiaries does not qualify for exemption, it may be subject to U.S. federal income tax. Non-exempt shipping income from U.S. sources, if any, is subject to tax at the rate of 4% of the amount of that income, not reduced by any deductions, unless such taxation is foreclosed by an applicable tax treaty. To the extent that non-exempt income is effectively connected with the conduct of a U.S. trade or business (or is attributable to a permanent establishment in the United States of any subsidiary that qualifies for benefits under an applicable tax treaty), such income is subject to U.S. federal income tax on a net basis, in lieu of the 4% tax on gross shipping income. Any such income, net of applicable deductions, is subject to U.S. federal income tax at graduated rates, up to a current maximum rate of 35% of net income. CP Ships Holdings (Bermuda) may also be subject to an additional branch profits tax at the rate of 30% on the earnings and profits attributable to its effectively connected income, subject to certain adjustments, and on interest paid or deemed paid which is allocable to effectively connected income. Any non-U.S. subsidiary of CP Ships Holdings (Bermuda) that qualifies for benefits under an applicable tax treaty may also be subject to the branch profits tax at such rate as prescribed by the treaty.

United Kingdom

The United Kingdom introduced a tonnage tax regime ("Tonnage Tax") from 1st January 2000 for qualifying shipping companies to stimulate investment in UK shipping. Under Tonnage Tax, the tax liability is calculated with reference to a pre-set scale of alternate income based on the tonnage of the ships in the relevant fleet, rather than actual income earned. Therefore, under Tonnage Tax, tax expense varies with the tonnage of the fleet rather than with the profitability of the business.

In particular, it is generally not permitted for a company within Tonnage Tax to reduce its liability to Tonnage Tax by offsetting losses or depreciation. Entry to Tonnage Tax requires an election by the relevant shipping company. Such an election generally must be made for a ten-year period and, once made, is irrevocable.

CP Ships (UK) entered the Tonnage Tax regime with effect from 1st January 2001, and has recently renewed the election such that it now applies until 31st December 2013. CP Ships (UK) comprises the Contship Containerlines business and, from 27th September 2001, the Canada Maritime, Cast and ANZDL businesses.

Canada

CP Ships and its Canadian subsidiaries that operate the Racine and Cast marine terminals in Montreal, Quebec are subject to normal Canadian federal and provincial taxes.

CP Ships believes that it is, and intends to take all necessary steps to remain, resident solely in Canada for income tax purposes. CP Ships' tax residency is, however, affected by a number of factors, some of which are outside its control, including the application and interpretation of relevant tax laws and treaties. If CP Ships were to cease to be tax resident in Canada, it would be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this would have a material adverse effect on CP Ships' business, financial condition and results of operations. In addition, CP Ships may

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be obliged to make indemnification payments under the Plan of Arrangement if its ceasing to be Canadian tax resident caused the Spin-off to be taxed in a manner inconsistent with the tax rulings obtained from the Canadian and United States revenue authorities in connection with the Spin-off. If such indemnification payments were to become due, this may have an adverse effect on CP Ships. Further, the tax consequences to holders of Notes would generally be different from those applicable if CP Ships were not resident in Canada.

As noted above, a significant portion of CP Ships group income is earned by controlled foreign affiliates resident in Bermuda, the United States and the United Kingdom. Canadian tax legislation has a detailed regime for the taxation of activities carried on by foreign affiliates. In very general terms, income that is from an active business, a term that is defined for Canadian tax purposes, earned by controlled foreign affiliates is not taxed in Canada. Active business income earned by controlled foreign affiliates located in jurisdictions with which Canada has concluded an income tax convention (which would include the United States and the United Kingdom) is not subject to any additional tax in Canada upon repatriation. Active business income earned by a controlled foreign affiliate in a jurisdiction with which Canada has not concluded an income tax convention, such as Bermuda, is subject to additional taxation in Canada upon repatriation of such income via dividends. Such income is subject to taxation at approximately 39%. CP Ships is of the view that the operations of its significant operating subsidiaries constitute the carrying on of an active business for the purpose of the Canadian foreign affiliate rules. Changes to the Canadian foreign affiliate rules could result in an increase of the tax burden to the group.

ADDITIONAL INFORMATION

When the securities of CP Ships are in the course of distribution under a preliminary short form prospectus or a short form prospectus, copies of the following documents may be obtained upon request from the Vice President General Counsel and Secretary, CP Ships Limited, 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex RH6 0PA, United Kingdom:

- (i) one copy of the Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
- (ii) one copy of the comparative financial statements of CP Ships for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of CP Ships that have been filed, if any, for any period after the end of its most recently completed financial year;
- (iii) one copy of the information circular of CP Ships in respect of

its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and

- (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (i), (ii) or (iii).

At any other time, one copy of any documents referred to in clauses (i), (ii) and (iii) will be provided upon request, provided that CP Ships may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of CP Ships.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of CP Ships' securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the CP Ships information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in CP Ships' restated comparative financial statements for the year ended 31st December 2003. These documents are also available through the internet on the Canadian securities regulatory authorities' System for Electronic Document Analysis and Retrieval (SEDAR) which can be found at www.sedar.com.