UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

IN RE CP SHIPS LTD., SECURITIES LITIGATION	MDL DOCKET NO. 1656 – ALL CASES (*Document Electronically Filed*) Jury Trial Demanded

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
FOR VIOLATIONS OF FEDERAL SECURITIES LAWS

Lead Plaintiffs Jack Mayer, individually and on behalf of Beatrice Mayer, William Racht, Arlan Marshall and Shaun N. Rai ("Lead Plaintiffs" or "Plaintiffs"), through their attorneys, bring this action on behalf of themselves and all other persons similarly situated, on personal knowledge as to themselves and their own activities, and as to all other matters, based upon the investigation of Plaintiffs' counsel, which included, among other things: (i) interviews of former employees of CP Ships, Ltd. ("CP Ships" or the "Company") and other persons with knowledge and information concerning the matters alleged herein, including the confidential sources described below; (ii) review and analysis of the public filings of CP Ships, including its filings with the Securities and Exchange Commission ("SEC") and Canadian securities authorities; and (iii) review and analysis of news articles, press releases, announcements, and analysts' reports by or relating to CP Ships. Plaintiffs believe that further evidentiary support for the allegations set forth below will exist after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of CP Ships' securities between January 29, 2003 and August 9, 2004, inclusive (the "Class Period"), seeking remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. CP Ships' business – containerized shipping services -- is a capital intensive, low margin business. During the Class Period, the Company often experienced cash flow problems, and as a result, delayed payments to vendors. Prior to and during the Class Period, the Company embarked on a series of acquisitions of regional shipping companies as well as an expensive ship purchasing program,[1] and had correspondingly enormous capital, liquidity and credit needs. Reporting favorable financial and operational results was critical for meeting these needs.

3. Defendants kept close tabs on budgeted and actual costs through a variety of means. Detailed reports prepared by the Company's cost accounting department were regularly furnished directly to and reviewed with Defendants, and defendant Frank Halliwell ("Halliwell") often ordered revisions of the numbers on these reports. Defendants also knew exactly what costs were being incurred by the Company through reporting from accounts payable, the Company's treasury department, and the Company's Marine Operations department, which, among other things, reported on critical fuel costs. In addition, the manager of the Company's Treasury department

[1] The Company completed a four-year $800 million ship replacement program in the third quarter of 2003, to, inter alia, replace more expensive chartered ships with 23 new and used owned ships. The investment was financed with cash from operations, bank borrowings, and capital leases on two ships. Some of the new ships were built to accommodate a high percentage of temperature-controlled containers, which would require additional investment. The Company ordered 3,000 temperature-controlled containers in 3Q2004.

provided reports to the Vice President of Finance or temporary controller, who carefully monitored payables and the Company's cash flow – and would delay paying vendors when cash flow was insufficient.

4. During 2003 through January 2004, the Company implemented a SAP[2] accounting system. The Company continued to run its prior, parallel system during the implementation, which worked well, and tracked the Company's costs. Nonetheless, Defendants later identified the changeover to SAP as the "excuse" for under-accruing costs during the Class Period. However, if the changeover to SAP really was the reason why costs were under-accrued during the Class Period, the under-accruals would have come to light far sooner than disclosed. Instead, there was a significant time gap between implementation of SAP and the Company's restatements of its under-accruals. Moreover, in light of Defendants' continued knowledge of costs from a variety of sources throughout the Class Period, the change-over to SAP is a spurious excuse for under-accruing costs.

5. As a result of the under-accruals, CP Ships was able to raise needed capital and enter into a replacement line of credit on more favorable terms than would otherwise be available. In addition, the Company's stock was artificially inflated, and defendant Ray Miles ("Miles") and other Company insiders were able to personally profit from insider stock sales of their holdings of CP Ships shares at a highly suspicious time – less than 3 months before the Company's massive restatement in August 2004.

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[2] SAP AG is a business solutions software developer.

6. On May 4, 2005, defendants Miles and Halliwell assured investors at CP Ships' Annual and Special Meeting that the Company's "performance was strong in 2003."

7. However, just one week later, on May 11, 2004, the Company announced an $8 million downwards restatement of reported 2003 net income. Defendant Miles stated at an earnings release conference/webcast the same day that the revision to the Company's 2003 results "which in total add[ed] up to about $8 million . . . doesn't affect Q12004 and it doesn't affect our outlook and prospects for the year." Miles noted that the $8 million restatement followed the implementation of SAP, apparently blaming the revision on the SAP implementation.

8. The full extent of the restatement needed would turn out to be far greater than Defendants admitted on May 11, 2004. Thus, commencing a little over one week later, defendant Miles and other insiders engaged in significant sales of their CP Ships shares, shortly before the full extent of the bad news was revealed. A Special Committee appointed by the Company later determined "that trading in shares of the Company by certain officers in that period [May and June 2004] should not have taken place."

9. On August 9, 2004, a few days after the Company announced that it was delaying the release of its second quarter 2004 results until August 16, 2004, CP Ships issued a press release that shocked the market. The Company claimed that its new SAP accounting system had revealed insufficient accruals for certain costs, and that certain December 31, 2003 balances need to be written off. The release revealed that CP Ships had artificially inflated net income for 9 consecutive quarters (all of 2002 and 2003 and the first quarter of 2004), and that the corrective restatement would have a substantial

impact on CP Ships' reported financial results. The Company estimated that it would be forced to reduce its 2003 reported profits (previously reported at $74 million) by between $22 million and $27 million (which turned out to be an under-estimate; the actual downwards revision ultimately was $29 million), in addition to an $8 million restatement of 2003 net income announced on May 11, 2004. The Company estimated that 2002 net income would be revised downward by about $7 million, and that first quarter 2004 income would be revised downward by about $6 million (from the $8 million originally reported). Pending completion of the review and publication of revised financial statements, the Company advised that its previously reported financial statements for the 2003 and 2002 years and first quarter 2004 were deemed unreliable.

10. These belated and shocking disclosures had a devastating impact on the price of CP Ships' securities. Immediately following the publication of the disclosure on August 9, 2004, the Company's shares plummeted - - falling over $3.70 per share, or 22.4%, to $12.85 per share on the New York Stock Exchange. CP Ships' shares also fell approximately 21.5 % on the Toronto Stock Exchange. More than 5 million shares changed hands by the close of trading, far exceeding the 90-day average trading volume of approximately 320,000 shares.

11. Analysts were alarmed by the restatement. National Bank Financial stated: "We believe the wind may be out of CP Ships' sails heading into the next couple of years." Robert Fay, analyst at Canaccord Capital, also lowered his profit estimate for CP Ships to $1.20 a share in 2004, compared with his earlier forecast of $1.58 a share and lowered his 2005 estimate to a profit of $1.60 a share versus his earlier $2.10 a share.

12. On August 16, 2004, the Company announced that the actual restatement would be $41 million. Reported results for 2002 would be revised downwards $7 million; reported results for 2003 would be revised downwards $29 million; and first quarter 2004 results would be revised downwards $5 million. The Company stated that the $29 million reduction for 2003 consisted of a $20 million under-accrual of container shipping costs; $7 million of inter-company and other balances which could not be supported; and $2 million for an inadvertent reversal of the prior $8 million restatement of cost under-accruals. The 2002 and 1Q2004 revisions primarily related to understated container shipping costs. Defendant Miles acknowledged: "with respect to the restatements you should all know that we feel ourselves that we have let down our investors and let down ourselves."

13. Defendants were motivated to, and did conceal CP Ships' true condition during the Class Period because:

(a) It allowed Defendants to raise hundreds of millions of dollars in securities offerings on very favorable terms, which would not have otherwise been available (Defendants were able to sell at least $200 million of CP Ships Convertible Notes - convertible into shares of the Company stock valued at over $25.22 per share - on or about February 24, 2004, which money Defendants controlled following this offering);

(b) It enabled defendant Miles and other Company insiders to personally profit from sales of their CP Ships shares;

(c) It enabled Defendants and other insiders to personally profit from bonus compensation arrangements; and

(d) It enabled Defendants to negotiate a new $525 million credit facility on or about March 25, 2004, while in possession of material adverse information, upon terms much more favorable than Defendants would have been able to negotiate if the market would have known the true operational and financial condition of CP Ships.

CONFIDENTIAL SOURCES

14. Confidential sources (also referred to as "CS __") who provided information in connection with Plaintiffs' counsel's investigation include the following:

- CS-1: Confidential Source 1 is a former CP Ships accounting employee, who worked at CP Ships, in the Company's Tampa offices, from several years prior to the beginning of the Class Period through close to the end of the Class Period.
- CS-2: Confidential Source 2 is a former financial analyst in the accounting department at CP Ships' Tampa offices, who worked at the Company commencing several months after the commencement of the Class Period through after the end of the Class Period.
- CS-3: Confidential Source 3 is a former CP Ships accounting supervisor, who worked at CP Ships, in the Company's Tampa offices, commencing several years prior to the commencement of the Class Period through a little over two months prior to the end of the Class Period. Throughout the remainder of the Class Period and afterwards, CS-3 kept informed of events at CP Ships by remaining in personal contact and frequently conversing with employees (including a finance / SAP employee) who remained at CP Ships through the Class Period.

- CS-4: Confidential Source 4 is a former highly-placed accountant at CP Ships, in the Company's Tampa offices, from several years prior to the beginning of the Class Period through over a month after the commencement of the Class Period.

- CS-5: Confidential Source 5 is a systems analyst who worked for CP Ships, in the Company's Tampa offices, during the last half year of the Class Period and for a few months thereafter.

- CS-6: Confidential Source 6 is a former CP Ships accounting supervisor and SAP analyst, who worked at the Company's Tampa offices, commencing several years prior to the beginning of the Class Period through after the end of the Class Period.

- CS-7: Confidential Source 7 is a former CP Ships managerial employee in the IT department, who worked at CP Ships, in the Company's Tampa offices, from before the beginning of the Class Period through after the end of the Class Period.

- CS-8: Confidential Source 8 is a former CP Ships regional director, who worked at the Company from many years prior to the beginning of the Class Period through shortly before the end of the Class Period.

- CS-9: Confidential Source 9 is a former CP Ships employee who worked in a variety of planning, design, analysis and other positions at the Company's Tampa offices, from many years prior to the beginning of the Class Period through several months prior to the end of the Class Period. Throughout the remainder of the Class Period and afterwards, CS-9 kept informed of events at CP Ships by remaining in personal contact and frequently conversing with employees who remained at CP Ships through the Class Period.

- CS-10: Confidential Source 10 is a former CP Ships employee in the sales and customer service areas, who worked at the Company from shortly after the beginning of the Class Period through the end of the Class Period.

- CS-11: Confidential Source 11 is a former CP Ships business development manager, who worked at the Company from approximately one half year prior to the end of the Class Period through after the end of the Class Period.

- CS-12: Confidential Source 12 is a former CP Ships logistics coordinator, who worked at the Company's Tampa offices, from prior to the beginning of the Class Period through several months prior to the end of the Class Period.

JURISDICTION AND VENUE

15. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

16. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC") [17 C.F.R. § 240.10b-5].

17. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa), 28 U.S.C. § 1391(b), and 28 U.S.C. § 1391(d). As alleged herein, substantial acts in furtherance of the alleged fraud, including the preparation and dissemination of materially false and misleading information, and/or its effects have occurred within this District. In addition, CP Ships maintains its principal place of business in this District. CP Ships also maintained its U.S. corporate office in Tampa, Florida during the Class Period. Moreover, because CP Ships is a non-U.S. company

which does substantial business in the United States and because its securities are listed on the New York Stock Exchange, a nationally listed market exchange, defendant CP Ships and the Individual Defendants may properly be sued in any District Court in the nation.

18. In connection with the acts and omissions alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

19. Lead Plaintiffs, as set forth in their certifications, previously provided to this Court, incorporated by reference herein, purchased the common stock of CP Ships at artificially inflated prices during the Class Period and have been damaged thereby.

20. Defendant CP Ships is a non-U.S. corporation with its principal place of business located in the United States, at 5701 E. Hillsborough Avenue, Suite 2120, Tampa, Florida, 33610. According to the Company's profile, CP Ships is a container shipping company that provides door-to-door, as well as port-to-port containerized services, for the international transportation of a range of industrial and consumer goods, including raw materials, semi-manufactured and finished goods. The Company operates a fleet of 80 ships in 22 trade lanes focusing on four principal markets. During the year ended December 31, 2003, the Company transported approximately 2.2 million 20-foot equivalent units on behalf of approximately 23,700 customers.

21. Defendant Miles was President, Chief Executive Officer, Chairman and a member of the Board of the Company during the Class Period. Miles joined CP Ships in

1988 as Chief Executive Officer, and became the Company's Chairman in May, 2004, at which time the Company appointed defendant Halliwell as CEO. Upon Halliwell's resignation on December 1, 2004, the Company announced that Chairman Miles was assuming executive responsibility for an interim period until a new Chief Executive could be appointed. During the Class Period, defendant Miles made materially false and misleading statements contained in the Company's releases and/or signed the Company's materially false and misleading SEC filings.

22. Defendant Ian Webber ("Webber") was Chief Financial Officer of the Company during the Class Period. According to CS-9, Webber was "in charge of everything that had to do with accounting" at the Company. During the Class Period, defendant Webber made materially false and misleading statements contained in the Company's releases and/or signed the Company's materially false and misleading SEC filings. Prior to joining the Company in 1996, Webber, who is a Chartered Accountant, served for 17 years with PricewaterhouseCoopers LLP, the last five years as an audit partner.

23. Defendant Halliwell was Chief Operating Officer and a Director and member of the Executive Committee of CP Ships during the Class Period. From May 2004 through after the end of the Class Period (until his resignation on December 1, 2004), Halliwell served as the Company's Chief Executive Officer. Halliwell was appointed Chief Operating Officer of CP Ships in 2001, after serving as the Company's Executive Vice President since 1995. He was based in, and worked out of the Company's Tampa offices throughout the Class Period. Halliwell filled a number of senior roles in the Company since joining Canada Maritime in 1991. During the Class

Period, defendant Halliwell made materially false and misleading statements contained in the Company's releases and/or signed the Company's materially false and misleading SEC filings.

24. The Defendants referenced above in the preceding three paragraphs are referred to herein as the "Individual Defendants."

25. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about its business, operations, products, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

26. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of Defendants identified above. Each of the above officers of CP Ships, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein. Said Defendants were involved in drafting, producing, reviewing and/or

disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

27. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the New York Stock Exchange (the "NYSE"), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

28. In addition, defendant Miles, who elected to sell CP Ships stock during the Class Period, had a duty to abstain from trading or make full disclosure.

29. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or

executive and managerial positions with CP Ships, each of the Individual Defendants had access to the adverse undisclosed information about CP Ships' business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about CP Ships and its business issued or adopted by the Company materially false and misleading.

30. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

31. Each of the Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of CP Ships common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding CP Ships' business, operations, management and the intrinsic value of CP Ships common stock; (ii) enabled the Defendants to sell almost $200 million of convertible notes and also allowed Defendants to secure a $525 million credit facility on

very favorable terms during the Class Period; and (iii) caused Plaintiffs and other members of the Class to purchase CP Ships common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

The Company, Its Shipping Fleet And Acquisitions

32. CP Ships describes itself as "one of the world's leading container shipping companies."[3] The Company provides door-to-door as well as port-to-port containerized services for the international transportation of industrial and consumer goods.

33. CP Ships' stock is traded on the New York and Toronto stock exchanges, under the symbol TEU. The Company's stock symbol TEU stands for "twenty-foot equivalent unit," which is the container shipping industry's standard for measuring container size, ship capacity and volume. One 20-foot container would be "one teu;" one 40-foot container would be "2 teu."

34. Throughout the Class Period the Company operated a fleet of approximately 80 ships in 22 trade lanes in four principal markets. Most of these trade lanes were served by two or more of CP Ships' seven brands: NZDL, Canada Maritime, Cast, Contship Containerlines, Italia Line, Lykes Lines and TMM Lines.

35. For over one decade, CP Ships had acquired various shipping companies (resulting in the above-mentioned brands). The Company's acquisitions included the following:

- A 43% stake in Canada Maritime acquired in 1993;
- Cast was acquired in 1995;
- Lykes Lines and Contship Containerlines were acquired in 1997;

[3] See CP Ships 2004 Annual Report ("2004 Annual Report"), inside cover page.

- Ivaran Lines and ANZDL were acquired in 1998;
- a joint venture in TMM Lines was acquired in 1999, and the remaining 50% of TMM Lines was acquired in 2000;
- CCAL was acquired in 2000; and
- Italia Line was acquired in July 2002.

In addition, in March 2004, the Company announced its acquisition of a logistics service company, ROE Logistics.

36. During the year ended December 31, 2003, CP Ships transported 2.2 million teu on behalf of approximately 23,700 customers. The Company's reported 2004 volume was 2.3 million teu, more than 80% of which was North American exports or imports. The Company accordingly considers itself to be a North American transportation company.

37. The Company's container fleet consisted of 460,000 teu at December 31, 2004. Containers owned or under capital lease were 21% of CP Ships' fleet; 10% of the Company's container fleet was under long-term lease arrangements; and the remaining 69% of the Company's container fleet was under more expensive short-term (less than 1 year), or medium term (less than 3 years) lease arrangements. At December 31, 2004, 69% of the Company's ship capacity was owned or long-term chartered, and 31% was on short or medium-term charters.[4]

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[4] The 2004 Annual Report notes that "It is cheaper to own or long-term charter ships than to charter from the short or medium-term market. It costs about $2 million less per year to own a 2750 teu ungeared ship based on average comparable costs since 1996. Since early 2002, the charter rate has increased nearly fivefold due to a shortage of ships to meet demand growth."

The Company's Tampa Offices

38. Although CP Ships is officially headquartered in England, most headquarters operations – including the relevant operations and personnel which were central to the misconduct in this case throughout the Class Period -- were located in the Company's offices in Tampa, Florida. The Tampa offices contained, inter alia, the Company's accounting department, cost accounting, the marine operations department, accounts payable, accounts receivable, the IT department, and the executive offices on the thirty-third floor which housed key CP Ships executives, including CEO Halliwell, as well as J.P. LaCasse, who was in charge of accounting in Tampa. CS-8 explained that during the Class Period, the Company's corporate office was in Tampa, Florida: "the main office was in Tampa and the centralized processes were based there, as well." CS-12 also explained that during the Class Period, CP Ships' "head office was in Tampa" and that Tampa was where all the logistics were handled. CS-4 also stated that there were more employees in the Tampa office than the London office. CS-4 further confirmed that most of the accounting and integration of the different shipping lines happened in Tampa.

39. The SAP conversion project (which Defendants claimed resulted in the information coming to light resulting in the restatement) also occurred in Tampa. CS-6 reported that the SAP project was done at Netpark in Tampa, a building outside of the main CP Ships Sun Trust Building in Tampa. In addition, the Company moved acquired companies' finance and accounting operations to Tampa. For instance, in 2002, CP Ships closed TMM's accounting office and finance operations in Mexico, and moved them to Tampa.

40. Even near the end of the Class Period, the foregoing critical functions remained in Tampa. On February 16, 2004, Canada NewsWire, in an article entitled "CP Ships succession plan," stated that: "This summer the corporate headquarters of CP Ships will move from Trafalgar Square, which building was recently sold, to new offices at Gatwick near London where all of the UK management activities will now be consolidated. Frank Halliwell will in due course be based mainly at Gatwick, along with Ian Webber. In general, most of the functions currently managed from Tampa, Florida will remain there."

41. CS-9 reported that defendant Halliwell liked Tampa, and when Halliwell got promoted, "he controlled everything from Tampa."[5] CS-8 similarly reported that "everyone answered to Halliwell" in Tampa.

42. A major CP Ships division also continues to list its address as in Tampa in the current New York Shipping Association, Inc. directory (http://www.nysanet.org/index.htm), as follows: Contship Containerlines Inc., Division of CP Ships, 401 East Jackson Street, Suite 1100, Tampa, FL 33618.

Defendants' Careful Control and Tracking Of Shipping Costs, <u>Including Fuel And Currency Exchange Costs</u>

43. As set forth below, numerous former CP Ships employees have described Defendants' careful control, monitoring and tracking, and knowledge of shipping costs, including fuel and currency exchange costs during the Class Period[6] – and the utter

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[5] Indeed, a Lloyd's List article in February 1998 reported that Halliwell, the former CEO of Cast, took over as CEO of Lykes Lines in July 1997 and moved to Tampa with a handful of other senior managers from Cast. (Cast was acquired by the Company in 1995, and Lykes Lines was acquired by the Company in 1997.)

[6] Unless otherwise specified, statements pertain to the Class Period.

impossibility that the true level of costs was not widely known at the highest levels of CP Ships. Indeed, as alleged herein, Halliwell personally received reports which documented these very costs. This knowledge and careful monitoring belies Defendants' claim that CP Ships' restatement at the end of the Class Period involved costs which were not known earlier.

44. According to the Company, "cost per teu" is a "key operating performance measurement." The 2004 Annual Report explains:

> **Cost per teu.** We consider unit cost to be a meaningful measure of the underlying cost and effectiveness with which costs are being managed. Changes in unit cost are driven by volume, business mix, operational efficiency, real cost inflation, **the value of non-US$ expense currencies relative to the US$, fuel prices,** charter rates and other factors. A 1% change based on average 2004 unit cost of $1,452 per teu increases or decreases operating income by $33 million.

(Emphasis added.)

45. Not surprisingly, CP Ships' executives closely controlled and tracked the Company's "cost per teu" and the components of this key performance measure. Indeed, according to CS-1, during the Class Period, Halliwell and other CP Ships' executives received a variety of reports tracking these numbers. These reports included a "Cost per TEU Report" (also known as the "Halliwell Report"), which was provided to Halliwell and other executives each week by the Company's Marine Operations department in Tampa, Fla. At the top of this weekly report, the following key summary information was set forth:

> Total active vessels, Total active container vessels
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> Average vessel age, Average container vessel age
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> Total TEUs, Total container TEUs
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> Total daily gross and net charter-hire (a number in the range of $700,000)

Net daily cost per TEU

46. In addition, the Halliwell Report set forth the following detail on each of the Company's vessels (chartered or owned) that were in service that week: Vessel name, flag, year built, TEU, whether the vessel was geared, service speed, horsepower, fuel consumption, charterer, owner, broker, next dry dock due date, net rate (daily charter cost), gross rate, and CP Ships lease termination date.

47. According to CS-1, in addition to the Halliwell Report, other reports were regularly (weekly, twice a month or monthly) emailed or otherwise provided to CP Ships' executives, including "all the bigwigs on the 33rd floor" of the Company's Tampa facility. Such reports included a Fleet Report, a Risk Management Report, a Vessel Option Periods Report; an Active Vessel Specifications Report, a CBM Report, and a Vessel Draft Report.

48. CP Ships and its executives kept track of critical costs such as fuel consumption and exchange rates in a number of other ways, including the Company's ordinary processes for paying these costs, checks on costs and exchange rates by the Company's treasurer, and reports generated and provided to executives by the cost accounting department and accounts payable department, as well as by the Marine Operations department.

49. For instance, as CS-1 explained, fuel consumption had to be carefully tracked for the overwhelming majority of CP Ships' vessels which were chartered. For chartered vessels, the Company inspected the amount of fuel when the vessel was picked up from the vessel's owner, and again when the vessel was returned to the owner. It was comparable to how rental car companies operate. Generally, the vessel owner would

provide the vessel to CP Ships with a full tank of fuel (which would cost perhaps $50,000 or $70,000), and CP Ships would be required to pay for the fuel at that juncture. When the vessel was returned, CP Ships would receive a credit against its charter fees for fuel remaining in the tank. According to CP Ships, the inspection and relaying of these fuel costs to CP Ships' marine operations department in Tampa would occur promptly, usually within a week of the vessel's return, and no later than a month after the vessel's return to its owner. Upon receipt of these figures, CP Ships' marine operations department would prepare an invoice for the Company's cost accounting department, which, after checking the figures (and incorporating them into cost reports to CP Ships' executives), would turn the invoices over to CP Ships accounts payable department.

50. In addition, while chartered vessels, as well as the Company's own vessels were in use, fuel had to be purchased regularly, generally about twice a month, sometimes more frequently. According to CS-1 and CS-9, Danny Cook ("Cook") in CP Ships' marine operations department in Tampa ordered the fuel, making sure that the vessels were fueled at all times, and authorized payments for fuel. Cook promptly prepared invoices for fuel costs (as they did for other shipping costs) and brought the invoice to cost accounting to check, and cost accounting brought the invoices to accounts payable, which wired the funds. Reports were made of these costs by each of these departments, and furnished to CP Ships' executives. In addition, according to CS-3, fuel bills were also sometimes paid by Company credit card when necessary, and would promptly appear on the Company's credit card statements. According to CS-1, "People could easily see how much fuel was being used and the fuel costs. It wasn't top secret

information or anything." CS-1 also "did not see why the top executives wouldn't know about all the fuel costs, including surcharges. The Company paid these costs."

51. According to CS-9, fuel was one of the biggest costs associated with shipping and therefore had a high profile in the Company. CS-1 and CS-3 confirmed the same.

52. CS-3 also explained the following: Every time a vessel arrived at a port, the Company would check on how much fuel the vessel used, and reports were promptly made on this to cost accounting. The information was relayed by computer, plus hard copy support was mailed to cost accounting, including all receipts (including for credit card fuel purchases) and any other paperwork pertaining to fuel costs. These materials were mailed each time the vessel "closed" – that is, went into port and delivered the containers on the vessel, and picked up the containers for the next leg of the vessel's journey. (Vessel "closure" occurred just before the vessel would take off again.)

53. CS-3 further explained that: "there were no costs that the Company would not find out about right away." Cost accounting budgeted fuel costs, and the actual amounts of fuel consumed were checked against the budget each time a vessel "closed." The manager of cost accounting regularly reported on these costs, and whether the actual fuel consumption exceeded or was less than budget, as well as similar information for other budgeted items, directly to Frank Halliwell and the CP Ships' CFO. (In every other department, managers reported to the general manager of their department, who reported to the vice president, who reported to the CFO and Halliwell. However, the cost accounting manager reported directly to Halliwell and the CFO.)

54. CS-3 also reported that: The manager of cost accounting, Brian Giardini ("Giardini"), reported on the budget and costs every month to Halliwell and the CFO. The books were closed every month so that these reports could be produced, and so that various ratios (including costs/budget) could be computed. The manager of cost accounting brought the reports up to Halliwell every month. CS-6 likewise reported that Giardina went upstairs monthly to give reports to Halliwell and JP LaCasse. CS-6 explained that cost accounting included ship related expenses, costs, accruals, and revenues.

55. CS-3 further reported that: After receiving the monthly reports from the manager of cost accounting, Halliwell would sometimes come downstairs to cost accounting and complain: "Those figures have to be wrong. Check them again." The manager of cost accounting then needed to revise the figures. Sometimes, the manager of cost accounting would need to go upstairs, to hear Halliwell make the same complaint. CS-3 would run into the manager of cost accounting in the elevator afterwards, and the manager would say: "I have to change the reports. Halliwell didn't like the numbers."

56. According to CS-3, there was no reason why the figures would not be accurate, other than a computer mistake. Computer mistakes initially occurred because employees were not properly trained as to how to pull reports from the computer system. According to CS-3, people knew when reports were "screwed up" however, and then they got someone who knew the system to pull an accurate report. Moreover, CS-3 explained that Halliwell knew whenever the computer-generated cost reports were wrong because Halliwell knew exactly what expenses were going out from several sources, including the expense reports coming from Treasury. According to CS-3, it was

"impossible" for Halliwell and the Company's executives to not know the costs that the Company was spending, because they received the reports every month, and monitored costs and expenses continually.

57. CS-3 also reported that defendant Webber visited Tampa from time to time. During these visits, the manager of cost accounting would also brief Webber regarding costs.

58. CS-3 also noted that: the Company's accounts payable department had to go through the Company's Treasury Department to pay all bills, and that the manager of Treasury always knew exactly what money was being spent. Treasury sent the wire transfers to pay bills. All financial transactions went through, and were tracked by Treasury. Moreover, Treasury's system went straight to and from the Company's bank, and the bank accordingly had reports on all transactions. The manager of Treasury reported to CP Ships' Vice President of Finance, who reported to the Company's CFO. Every month, the manager of Treasury made reports to the Vice President of Finance or temporary controller, who carefully monitored payables and the Company's cash flow. If the Company suddenly had more expenses, the Company's financial officers would immediately know about it, because cash flow would be low as a result of the additional expenses.

59. Moreover, as CS-3 explained, when cash flow was low, the Company would delay payments to agents (who booked charter vessels) and to the Company's vendors. There was often such a cash flow problem. Payments to vendors were often over 30 or 60 days late, and the vendors would call and scream at accounts payable, and threaten to cut off the Company's supplies. Accounts payable would then process the

payment. Everyone at CP Ships was "in the loop" and knew what was going on, with vendors calling, and this would be reported to the Vice President of Finance and other executives. Vendors also called Halliwell and the CFO directly to complain when payments to them were late. CS-1 also reported that payments were often delayed because cash flow was low.

60. Fuel costs and surcharges were also known and monitored for another reason. According to CS-9, fuel surcharges were "passed off to the customer" when charges were negotiated with the customer.

61. Similar to fuel costs, costs resulting from exchange rates were well known. CS-1 explained that the procedure for dealing with currency conversions was as follows: Shipping costs bills were submitted to the Company's Marine Operations department, which would check the daily currency conversion on the Internet, and figure out the conversion immediately. The most common conversions involved Japanese yen, German marks, and Italian lira – not any esoteric currencies. Marine Operations brought the bills to cost accounting for their reports, and the bills were then brought to accounts payable. Accounts payable had a system set up to account for different currencies, and would check the conversion again. The Company's Treasury Department (in which accounts payable was located) would call Marine Operations if there was any discrepancy in the currency conversion, or if a different conversion rate had to be used because the Company had decided to delay payment. Thus, the Company's payment procedures made it a foregone conclusion that currency conversion costs were well known and reported to the Company's executives.

62. In addition, like fuel surcharges, currency fluctuations were dealt with as a surcharge, known as "CAF" (currency adjustment factor), which was passed off to CP Ships' customers, according to CS-9. CS-11 also reported that fuel surcharges and currency fluctuations were "billed into the rate" which customers were charged, and that the surcharges were built into the computer system, known as TIP, used for providing pricing to customers. CS-10 reported that the Company usually would announce higher fuel surcharges to customers 30 days before putting the surcharge into effect.

63. Although Defendants knew or recklessly disregarded the actual costs that were being incurred, Defendants permitted the accrual figures, for accounting purposes, to be understated. CS-2, a former CP Ships accounting department financial analyst relayed that, when estimating fuel charges and other expenses for accrual purposes, there were always under-accruals of the actual costs. Moreover, CS-2 was forbidden by management from sitting down with the people in the various groups which provided CS-2 with the expense accrual numbers, but just had to accept them. CS-2 also complained to CS-2's manager about the cost estimates used for accruals. CS-2 further explained that s/he was "not the only one to complain" about this in the accounting department.

The SAP Conversion Occurred Well Prior To The August 2004 Restatement, And Was Merely A Convenient Excuse For Under-Accruing Costs

64. Several former CP Ships employees explained that the SAP conversion, testing, and ability of the system to communicate with other systems all occurred far earlier than the point at which the Company finally revealed its substantial cost under-accruals. Halliwell stated in his address at the shareholder annual meeting on May 4, 2004, that "standardization of CP Ships on a single financial system platform, SAP . . .

began operation for much of the company in January 2004."[7] Moreover, the Company continued to run parallel systems which collected the cost data throughout the conversion process. The cost information was also available through the various mechanisms (including accounts payable) discussed above. Thus, blaming the under-accruals on the SAP conversion was merely an excuse for not revealing costs that had to be known, or which Defendants recklessly disregarded.

65. CS-1 reported that the SAP system was installed in 2003 or earlier.

66. CS-3 reported that the Company changed from the Infinium system to the SAP system during mid-2003. CS-3 also reported that in about October 2003, the Company's Links system could "talk" (interchange data) with the SAP system.

67. CS-6 reported that the SAP conversion project began in January 2003 and went "live" on January 1, 2004. CS-6 reported that during the project, CP Ships remained on the Infinium system, and there would not have been any cost delays due to the conversion because the Company continued to use its old system throughout implementation until it went live with SAP. According to CS-6, in January 2004, CP Ships converted the year-end balances that were in Infinium over to SAP.

68. In fact, Defendants used SAP as an excuse for write-offs. CS-3 reported that when "a million dollars here and two million dollars there" appeared to be missing, "in the end, we would write everything off to SAP."

Management's "Hands On" Style

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[7] CP Ships' Revised First Quarter 2004 MD&A, issued September 3, 2004, states: "CP Ships introduced a new SAP financial accounting system in the majority of the business with effect from 1st January 2004. The preparations for the implementation of SAP started in late 2002 and continued throughout 2003. The implementation itself spanned the first quarter 2004."

69. According to CS-9, defendant Halliwell was "very hands-on. He would call me to the floor . . . You'd think he can't be bothered by it. Some people thought [Halliwell] was a dictator. As far as I was concerned, the guy was successful because he knew what was going on. He had his finger on the pulse." CS-9 also opined that "even though Halliwell was an 'egomaniac,' he knew the shipping business." CS-8 reported that CP Ships was a "one man band," and decisions were made by CEO Halliwell without question from his subordinates; "everyone answered to Halliwell." CS-8 also said that Halliwell "micro-managed." CS-12 similarly reported: "Everything that could be micro-managed was micro-managed." CS-7 reported that either Halliwell or J.P. LaCasse had to sign off on all contracts for more than $75,000. CS-3 also reported that Halliwell and central management "micro-managed" the work, with constant reviews and orders, "looking at every number, looking over the shoulders of the workers in management." CS-4 reported that management was "hands-on" and "very attentive." With reference to internal controls, CS-4 also reported that there were "a lot of reviews by management on different levels."

70. Moreover, inter-company billing issues were well known internally. According to CS-9, the different companies or divisions within CP Ships were "very territorial." Specifically, when certain costs involved several divisions of CP Ships companies, such as transporting an empty container from a route serviced by one division to a route services by another, none of the companies wanted to "own" the cost, as it would make its financials look bad. CS-9 "often heard" that different companies within CP Ships didn't want to absorb certain costs, so the costs were moved around from one division of the Company to another.

DEFENDANTS' MATERIALLY FALSE AND
MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

71. The Class Period begins on January 29, 2003. On that date, Defendants issued a press release announcing profitable fourth quarter 2002 financial results, which stated:

> CP Ships Announces $34 Million Fourth Quarter Profit
>
> CP Ships Limited today announced unaudited fourth quarter 2002 operating income before exceptional items of U.S. $34 million, unchanged from the third quarter and slightly down from $35 million in fourth quarter 2001. Basic earnings per share before exceptional items was $0.23 compared with last year's $0.30 and third quarter's $0.27. Volume at 550,000 was a quarterly record, up 17% from fourth quarter 2001, reflecting both strong growth and the first full quarter of Italia Line. Average freight rates increased 1% from third quarter 2002 but were 4% lower than fourth quarter 2001. Cash from operations before exceptional payments was $29 million or $0.32 per share. **Net income available to common shareholders was $23 million**, compared to $25 million in fourth quarter 2001.
>
> Outlook
> After a weak start, CP Ships recorded a solid result for 2002 with stronger than expected volume, **significant cost reduction** and, in the second half, a slowing or reversal of freight rate declines in all of our markets except Latin America.

(Emphasis added.)

72. On January 29, 2003, CP Ships held a conference call with analysts to discuss, *inter alia*, the fourth quarter 2002 financial results. During that call defendant Miles touted the Company's achievements:

> I am happy to report that Q4 turned out a bit better than we expected when we last spoke to you at the end of Q3. EBITDA at $64m, operating income $34m and earnings per share before exceptional credit, earnings per share of $0.23 . . . **Both volume and revenue set quarterly records for CP Ships** . . . Earnings per share, $0.59 for the year overall.

(Emphasis added.)

73. The statements contained in the January 29, 2003 press release and the January 29, 2003 earnings conference call were materially false and misleading when made for the following reasons:

> (a) The fourth quarter 2002 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP;
>
> (b) The fourth quarter 2002 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to these material overstatements by restating the Company's 2002 financials; and
>
> (c) The statement that the Company achieved "significant cost reduction" in 2002 was false and misleading because Defendants were under-accruing costs.

74. On April 7, 2003, Defendants filed with the SEC the Company's financial and operational results, for full year 2002 (the period ended December 31, 2002), using Form 20-F/40-F. Full year operating income before exceptional items was reported at $83 million. Basic earnings per share before exceptional items and goodwill was reported at $0.59. In addition, the Company's Form 20-F/40-F stated in pertinent part:

> After a weak start, CP Ships recorded a sold result for 2002 with stronger than expected volume, **significant cost reduction** and, in the second half, a slowing or reversal of freight rate declines in all of our market except Latin America.
>
> Providing there is sound U.S. and world economic growth, CP Ships believes the approximate global balance between supply of ship capacity and container demand broadly achieved during 2002 to be maintained in 2003. . . .
>
> However, fewer new cost savings opportunities in 2003, the negative impact of a weaker U.S. dollar and increases in some operating costs including fuel are expected to partly offset the benefits of higher average freight rates and the cost saving initiatives started in 2002. Overall, management expects 2003 operating income before exceptional items to be higher than **2002's $83 million**, but below 2001's $139 million.

* * *

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

	Year ended 31st December		
	2002	2001	2000
Revenue	2,687	2,646	2,645
Expense	(2,604)	(2,507)	(2,481)
Operating income before exceptional items	83	139	164
exceptional items	2	(43)	–
Operating income	85	96	164
Internet (expense) income, net	(23)	--	1
Income tax expense	(10)	(12)	(12)
Minority interest	--	1	--
Goodwill charges	--	(16)	(18)
Net income	52	69	135
Basic Earnings per Common share	$0.61	$0.83	$1.68

(Emphasis added.)

75. In addition to the foregoing, the Form 20-F also contained a Certification by defendant Miles, which also purported to certify the veracity and correctness of the Company's financial reports and operational disclosures, as follows:

CERTIFICATIONS

I, Ray Miles, certify that:

1. I have reviewed this annual report Form 40-F of CP Ships Limited;

2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances

under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 14 and 15d- 14) for the Registrant and have:

> (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly, during the period in which this annual report is being prepared;
>
> (b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
>
> (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (and persons performing the equivalent function):

> (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weakness in internal controls; and
>
> (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls

subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Dated: 4th April 2003
/s/ Ray Miles

Ray Miles
Chief Executive Officer

76. The Company's 2002 Form 20-F also contained a Certification by defendant Webber, which also purported to certify the veracity and correctness of the Company's financial report and operational disclosures, as follows:

I, Ian Webber, certify that:

1. I have reviewed this annual report Form 40-F of CP Ships Limited;

2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 14 and 15d- 14) for the Registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly, during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (and persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weakness in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Dated: 4th April 2003
/s/ Ian Webber

Ian Webber
Chief Financial Officer

77. The statements contained in CP Ships' year-end report on Form 40-F, reproduced in the three preceding paragraphs, were each materially false and misleading when made for the following reasons:

(a) The full-year 2002 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP;

(b) The full-year 2002 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2002 financials; and

(c) The statement that the Company achieved "significant cost reduction" in 2002 was false and misleading because Defendants were under-accruing costs.

78. On April 23, 2003, Defendants also issued a release announcing an "Improved Outlook" for CP Ships, and which reported results for the first quarter of 2003 (the period ended March 31, 2003). Defendants stated that a small loss in the first quarter of 2003 was the result of several one time events, such as exceptionally severe weather conditions, but forecasted a favorable operating environment. Defendants led investors to expect stronger results in the near-term, as follows:

> CP Ships Announces First Quarter Loss But Improved Outlook.
>
> LONDON, UK, April 23 /CNW/ - CP Ships Limited today announced an unaudited first quarter 2003 operating loss of US $32 million before exceptional items, a $4 million improvement on the $6 million operating loss in first quarter 2002 and compared with $34 million operating income before exceptional items in fourth quarter 2002. Basic loss per share before exceptional items, was $0.12 compared with last year's first quarter loss per share of $0.14 and fourth quarter 2002's earnings per share of $0.23 before exceptional items. After exceptional items, the net loss was $21 million representing a basic loss per share of $0.23 compared with $11 million net loss in the same quarter last year or loss per share of $0.14. Net income for fourth quarter 2002 was $23 million, a basic earnings per share of $0.26.
>
> * * *
>
> Despite robust volume and a strong recovery in operating results in March, overall performance for the quarter was weaker than expected due to three factors. Firstly, significantly higher fuel costs of about $9 million after fuel surcharge recovery compared with first quarter last year. Secondly, an adverse impact of the weaker US dollar of about $12 million. [Sic]
>
> Finally, exceptionally severe weather in the TransAtlantic, record winter low water levels in the Saint Lawrence River restricting loading capacity, one-time operational expenses relating to ship replacement and ship network changes, and disruption of trade in Venezuela all adversely impacted the result, in total by about $7 million.

> The annualized 2003 cost reduction target of $80 million is lower than last year's achieved $125 million.

79. In addition, Defendants also used this release to condition investors to believe that the Company's outlook was improving and that CP Ships had based its projections and had presented its financial reports in accordance with GAAP, as follows:

> Outlook
>
> Despite a difficult start including higher than anticipated operating costs, we expect volume to remain firm with freight rate improvement in the TransAtlantic, continuing operating efficiencies in the Australasian market and reduced losses in Asia driving stronger operating results for the rest of the year.
>
> * * *
>
> Overall, we expected operating income for the second quarter to be substantially higher than the first quarter and for the year overall before exceptional items to be greater than 2002's $83 million and closer to 2001's $139 million than we had previously expected.
>
> * * *
>
> 1. BASIS OF PRESENTATION
> These consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing the 2002 annual consolidated financial statements. The interim financial statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with Canadian generally accept accounting principles ("GAAP") and therefore should be read in conjunction with the most recent annual financial statements.
>
> * * *
>
> 3. LOSS PER SHARE
> Net loss per share has been computed by dividing net loss by the weighted average number of common shares outstanding....

80. Despite the above statements of optimism, CP Ships experienced a disappointing first quarter for 2003. During the April 23, 2003 conference call, defendant Miles explained those results as follows:

> We are a little disappointed with our first quarter result, an operating loss of $2 million. Furthermore in the quarter, we took an unusual charge of $10 million, mainly to cover the costs of closing the head office and re-reorganizing our UK management into one location. We do not expect further charges of that kind to recur.
>
> The quarter's result was also influenced by a number of exceptional factors. Firstly, the price of fuel was up by nearly 60% compared with Q1 last year. And that price has now fallen back to more normal levels. Secondly, the exchange rates and the weakening of the U.S. dollar against the Euro increased European costs when we convert them into dollars. Thirdly, there were truly a number of exceptional operational issues that affected us more than usual in what is always a somewhat problematical operational winter quarter. . . When you combine all of those together, that adds up to about $30 million plus the unusual charge of $10 million. So those were negative factors working on our results in Q1. And except for exchange, those will not recur.

81. The statements contained in the Company's April 23, 2003 release which were also filed with the SEC the following day pursuant to Form 6-K, and the statements made in the April 23, 2003 earnings conference call, set forth in the preceding three paragraphs, were materially false and misleading for the following reasons:

> (a) The first-quarter 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP; and
>
> (b) The first-quarter 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials.

82. On July 31, 2003, Defendants issued a release which purported to announce a 200% increase in the Company's profits for the second quarter of 2003, the period ended June 30, 2003, as follows:

> CP Ships doubles operating profit to $40 million in second quarter 2003.
>
> LONDON, UK, July 31 /CNW/ – CP Ships Limited today announced an unaudited operating income for second quarter 2003 of US $40 million,

> nearly double the $21 million operating profit in second quarter 2002 and a $42 million improvement from the $2 million operating loss before exceptional items of $10 million in first quarter 2003. Basic earnings per share was $0.32 compared with $0.20 in second quarter 2002 and basic loss per share exceptional items of $0.12 in first quarter 2003. Net income was $29 million compared to $16 million in the same period 2002 and a net loss of $11 million before exceptional items in the first quarter 2003.
>
> Operating income before exceptional items for the first half 2003 was $38 million compared with $15 million in the same period last year. Stronger volume up 15%, higher freight rates up 5%, and **lower ship network costs** other than fuel were partly offset by the adverse effect of the weaker US dollar and higher fuel price. Net income after exceptional items was $8 million compared with $5 million.

(Emphasis added.)

83. In addition to the foregoing, Defendants again used this release to condition investors to believe that the Company's outlook was improving and that CP Ships had based its projections and had presented its financial reports in accordance with GAAP, as follows:

> Outlook
>
> We are confident that continuing strong volume and the recent improvement in freight rates will drive profits for the second half of 2003 and offset the impact on our costs of a weaker US dollar, higher fuel price and more expensive charter renewals.
>
> * * *
>
> NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
>
> 1. Basis of Presentation
>
> These consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing the 2002 annual consolidated financial statements. The interim financial statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with Canadian generally accept accounting principles ("GAAP") and therefore should be read in conjunction with the most recent annual financial statements.
>
> * * *

3. Earnings per Share

> Basic earnings per share has been computed by dividing net income by the weighted number of common shares outstanding . . . .

84. On July 31, 2003 the Company held a conference call to discuss, *inter alia*, the second quarter 2003 results. During that call, defendant Miles touted the Company's performance. Specifically, he stated:

> **[T]he 558,000 teu in Q2 2003 is a company record by some way and would have been a company record even without the addition of Italia. So, very strong volume overall for the company**. Of course, with improving freight rates, record sales revenue as well, at nearly $800 million.
>
> Furthermore, **EBITDA at $69 million is historically a CP Ships quarterly record. Operating income of 40 million. As I say, in line with what we ourselves were expecting for the quarter and net income of 29 million and basic earnings per share of 32 cents. A set of results that by and large we are pretty happy with.**

(Emphasis added.)

85. Defendant Webber also made statements about the Company's cost efficiencies and touted the Company's cost saving measures and the impact of those measures on CP Ships' future prospects:

> [I]f you strip away the factors over which we have no control, currency and fuel, where we're continuing to deliver unit cost reductions. **That's a result, in large measure, from our cost savings programs, over a hundred million dollars of property impact in 2002 and our program for $80 million of annualized savings in this current year remain on track.**
>
> So finally, as we look forward, we face the rest of 2003 and 2004 with confidence, industry fundamentals remain sound. In our own business we're positive about growing volumes and improving freight rates . . . **[W]e expect continuing good results for CP Ships for the rest of this year.**

(Emphasis added.)

86. The statements contained in the Company's July 31, 2003 release, which were also filed with the SEC within days of the public presentation, pursuant to Form 6-K, and the statements in the July 31, 2003 earnings conference call, set forth in the preceding four paragraphs, were materially false and misleading for the following reasons:

(a) The second-quarter 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP;

(b) The second-quarter 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials; and

(c) The statements regarding lower costs were false and misleading because Defendants were under-accruing costs.

87. On October 29, 2003, Defendants issued a release which purported to announce profitable results for the third quarter of 2003, the period ended September 30, 2003, as follows:

> CP Ships operating profit up 29% to $44 million in third quarter 2003
>
> LONDON, UK, Oct. 29 /CNW/ - CP Ships Limited today announced an unaudited **operating income for third quarter 2003 of US $44 million, up from $34 million operating profit in third quarter 2002 and a $4 million improvement from $40 million in second quarter 2003.** Basis earnings per share was $0.37 compared with $0.27 in third quarter 2002 and $0.32 in second quarter 2003. Net income at $33 million was up compared to $24 million in third quarter 2002 and up from $29 in second quarter 2003.
>
> **This quarter's operating profit in CP Ships' strongest since we went public in October 2001**. Despite an increase costs, it reflects our successful strategy as well as the continuing general improvement in industry conditions," said CP Ships CEO Ray Miles.

(Emphasis added.)

88. In addition to the foregoing, Defendants again used this release to condition investors to believe that the Company's outlook was improving and that CP Ships had based its projections and had presented its financial reports in accordance with GAAP, as follows:

> Outlook
>
> Fourth quarter operating income is expected to be broadly in line with the third quarter, with TransAtlantic improvement offset by the impact of continuing cost pressures. For the year as a whole, operating income before exceptional items should be about 50% above 2002, but still short of the record in 2001. In 2004, we expect a generally positive trading environment and should make further progress.
>
> * * *
>
> NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
>
> 1. Basis of Presentation
> These consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing the 2002 annual consolidated financial statements. The interim financial statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and therefore should be read in conjunction with the most recent annual financial statements.
>
> * * *
>
> 3. Earnings per Share
> Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding . . . .

89. On October 29, 2003, Defendants also held a conference call to discuss, *inter alia,* third quarter 2003 results. Defendant Miles touted the Company's performance, stating:

> The quarter was another quarter of strong volume, 554,000 TEU, and indeed, with improving freight rates, record sales rev for the company.

> **Also at $73m, record EBITDA, and close at $44m to our historical record of operating income.** So all told, we are happy with the results that we are talking about today for Q3.

(Emphasis added.)

90. During that call, defendant Webber also optimistically touted the Company's prospects:

> We do face the rest of this year and 2004 with confidence. **The industrial fundamentals remain sound in our own business.** We're positive about volume increases and continuing freight rate improvements. We still have plenty to worry about in terms of exchange rates, fuel price charter renewals, which will lead into the high revenues that we expect to achieve. But, nonetheless, we expect continuing good results for CP Ships continuing into 2004 this year, and making further progress to increase profits next year.

(Emphasis added.)

91. The statements contained in the Company's October 29, 2003 release, which were also filed with the SEC the following day pursuant to Form 6-K, and the statements in the October 29, 2003 earnings conference call, set forth in the preceding four paragraphs, were materially false and misleading for the following reasons:

> (a) The third-quarter 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP; and
>
> (b) The third-quarter 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials.

92. On February 5, 2004, Defendants issued a release in which the Company stated it had achieved $100 million in cost reductions, $75 million attributable to 2003 results. That release also purported to announce results for the fourth quarter and full year 2003, the period ended December 31, 2003, as follows:

> CP Ships announces record $49 million profit for fourth quarter 2003
>
> LONDON, UK, Feb. 5 /CNW/ - CP Ships Limited today announced unaudited **fourth quarter 2003 operating income of US $49 million**, up from $34 million before exceptional items in fourth quarter 2002 and up from $44 million in third quarter 2003. Basic earnings per share was $0.46 compared with 2002's $0.23 before exceptional items and third quarter's $0.37. Net income available to common shareholders was $41 million, compared to $23 million in fourth quarter 2002.
>
> For 2003 overall, operating income before exceptional items was $131 million compared with $83 million in 2002. Basic earnings per share before exceptional items was $1.02 compared with $0.59. Return on average capital employed at 7.3% was up from 5.7% in 2002. Net income available to common shareholders was $82 million compared to $52 million in 2002.
>
> "With record operating income in fourth quarter and up nearly 60% for the full year, and record volume and sales revenue for both the quarter and the year, we consider these to be **outstanding results**," commented Ray Miles, CEO of CP Ships.

(Emphasis added.)

93. In addition to the foregoing, Defendants again used this release to condition investors to believe that the Company's outlook was improving and that CP Ships has based its projections and had presented its financial reports in accordance with GAAP, as follows:

> Outlook
>
> After the substantial improvement in profits during 2003 despite significant pressure on costs and competition in most of our trade lanes, we face similar challenges in 2004. Assuming continued solid growth in the world economy, the balance of supply and demand in the global container shipping industry should remain favorable. Continued strong volume and further freight rate improvements will, we consider, continuing to outweigh the negative effect on our costs of a weaker US$ and charger renewals, and we therefore expect that earnings in 2004 will be higher than in 2003.
>
> * * *
>
> NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

> 1. Basis of Presentation
> These consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing in the 2002 annual consolidated financial statements. The interim financial statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and therefore should be read in conjunction with the most recent annual financial statements. The results of operations for the interim period are not necessarily indicative of the operating results for the full year due to business seasonality. Although peak shipping periods differ in some of the market segments, historically, consolidated revenue and operating income have generally been lower during the first quarter.
>
> * * *
>
> 3. Earnings per Share
> Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding . . . .

94. On February 5, 2004, the Company held a conference call to discuss, *inter alia,* the forth quarter 2003 results. During that call, defendant Miles again touted the Company's success:

> We're very happy with the results that we've achieved in this last quarter. **We have record volume, record sales revenue, record EBITDA, and the highest level so far operating income and net income in a quarter since the Company went public.** And delivered earnings per share of 46 cents for the quarter...Our volume has grown from about 9 percent to 2.2 million teu, on a like basis that would be growth of about 14 percent. Sales revenues climbed by 17 percent $3.1 billion and EBITDA to $250 million. **Operating income is up by 60 percent and net income up by 80 percent compared with last year.**

(Emphasis added.)

95. The statements contained in the Company's February 5, 2004 release, which were also filed with the SEC the following day pursuant to Form 6-K, and the statements in the February 5, 2004 earnings conference call, set forth in the preceding three paragraphs, were materially false and misleading for the following reasons:

(a) The fourth-quarter and full-year 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP;

(b) The fourth-quarter and full-year 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials; and

(c) The statement that such results were "outstanding" was also false and misleading for the same reasons set forth in (a) and (b) above.

96. On April 15, 2004, CP Ships also filed with the SEC, the Company's financial and operational results, for full year 2003, the period ended December 31, 2003, pursuant to Form 20-F/40-F, signed by all Defendants. In addition to reporting operating income of $131 million and basic earnings per share of $1.02 per share, the Company's Form 20-F made the same or similar representations and contained the same or similar certifications as the Company's FY 2002 Form 20-F/40-F, filed with the SEC the prior year and reproduced in part in ¶¶ 75-76.

97. In addition, that Form 40-F contained the following representations, which, among other things, touted the Company's profitability and cost savings:

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.

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.
>
> * * *
>
> 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.

(Emphasis added.)

98. The Company's April 15, 2004 Form 40-F also acknowledged that the SAP system began operation throughout much of the Company in January 2004:

> 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 much 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.

(Emphasis added.)

99. The statements contained in the Company's 2003 Form 20-F/40-F filed with the SEC on or about April 15, 2004, set forth in the preceding three paragraphs, were materially false and misleading for the following reasons:

> (a) The full-year 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP;
>
> (b) The full-year 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials; and
>
> (c) The statements regarding cost savings and improved profitability were false and misleading for the same reasons set forth in (a) and (b) above.

100. On April 23, 2004, CP Ships filed a Form F-10 Registration Statement for the resale of its 4% convertible senior subordinated notes due 2024. That Registration Statement contained a summary of consolidated financial information. In particular, the Registration Statement indicated the following for 2001, 2002, and 2003:

	Year ended 31st December		
	2001(1)	2002	2003
($ millions, except amounts per share, presented in $)			
Revenue	2,646	2,687	3,136
Expenses	(2,507)	(2,604)	(3,005)
Operating income before exceptional items	139	83	131
Exception items	(43)	2	(10)
Operating income	96	85	121
Interest income (expense), net	--	(23)	(36)
Income tax expense	(12)	(10)	(3)
Minority interest	1	--	--
Goodwill charges (2)	(16)	--	--
Net income	69	52	82
Earnings per common share basic (3)	$ 0.83	$0.61	$0.91
Earnings per common share diluted (3)	$ 0.83	$0.60	$0.89
Cash dividend declared per common share	--	$0.16	$0.16
Cash dividend declared per preference share	$17.69	--	--

101. In addition to these financial representations, CP Ships indicated in the Registration Statement that "CP Ships consolidated financial statements have been prepared in accordance with Canadian GAAP . . ."

102. The Individual Defendants and others signed and adopted the Registration Statement as follows:

Signatures

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing Form F-10 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of London, United Kingdom, as of the 23rd day of April 2004.

CP SHIPS LIMITED
By: /s/ Raymond R. Miles
____
Raymond R. Miles
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, the registration statement has been signed as of the 23rd day of April 2004 by the following persons in the capacities indicated:

Signatures	Capacity
/s/ RAYMOND R. MILES ____________________ Raymond R. Miles	Chief Executive Officer and Director (Principal Executive Officer)
/s/ IAN J. WEBBER ____________________ Ian J. Webber	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
/s/ JOHN P. BOWMER* ____________________ John P. Bowmer	Director
/s/ ROBERT J. CLANIN* ____________________ Robert J. Clanin	Director
/s/ PETER J. DEY* ____________________ Peter J. Dey	Director
/s/ FRANK J. HALLIWELL* ____________________	Chief Operating Officer and Director

Frank J. Halliwell

/s/ JOHN D. MCNEIL* Director

John D. McNeil

/s/ NIGEL M.S. RICH* Director

Nigel M.S. Rich

/s/ VISCOUNT WEIR* Director

Viscount Weir

By: /s/ Iain Torrens

Iain Torrens
Attorney-in-fact

103. The statements contained the Company's Form F-10, filed with the SEC on or about April 23, 2004, set forth in the preceding three paragraphs, were materially false and misleading for the following reasons:

(a) The full-year 2002 and 2003 results set forth in such statements were not accurate or reliable and were not presented in accordance with GAAP; and

(b) The full-year 2002 and 2003 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2002 and 2003 financials.

104. On May 3, 2004, in a further effort to condition investors to believe that CP Ships was operating according to expectations sponsored and/or endorsed by Defendants, Defendants published a release which purported to advise investors and shareholders that "CP Expects First Quarter 2004 Results to Improve," with purported overall volume up 9% compared to 1Q-03, as "all market segments grew." According to

the Company's CEO, defendant Miles, quoted in this release, "The first quarter is traditionally a difficult one, but we expect to report quarterly results ahead of last year's and maintain our positive outlook for the year as a whole, despite continuing cost pressures."

105. On May 4, 2005, Halliwell made the following remarks at CP Ships' Annual and Special Meeting:

> This is an exciting time to be leading CP Ships. As Ray discussed, our **performance was strong in 2003. Next week we expect to report first quarter results that will be ahead of last year's first quarter.**
>
> As your new CEO my priority is to carry on the CP Ships success story and continue to build shareholder value. How do we plan to do this? By continuing to implement our successful business strategy based upon:
>
> Strong well-known brands and multibranding of our product;
>
> Focus on regional markets;
>
> **Continuous cost reduction** even at the top of the business cycle;
>
> Selective pursuit of acquisitions.
>
> Our business priorities for 2004 are clearly defined.
>
> We plan for steady organic growth, partly as a result of last year's substantial service enhancements and partly as a result of further service improvements scheduled for this year.
>
> In key regions, we also plan to leverage our already strong positions by offering selective value-added services to our existing customers as a natural extension of our core container shipping services.
>
> Our acquisition last month of Montreal-based ROE Logistics will help us achieve this for our Montreal and Vancouver gateway customers. We are evaluating similar opportunities in other key regions.
>
> It is important to emphasize that CP Ships does not intend to offer global logistics services or compete with our large logistics and freight forwarding customers. This is a regionally-focused strategy designed to support our branded shipping services.

> In addition, we aim to increase freight rates by benefiting from the current tight supply/demand situation in most of our trade lanes.
>
> We continue to evaluate acquisition candidates that, like our Italia Line acquisition, fit our business model, a model based on: Strong earnings potential; Strong customer relations; A good geographic fit with our existing services; And an opportunity for trade lane economies.
>
> At the same time, there are challenges to face.
>
> Despite signs of recent strengthening, the weak US dollar remains a cost concern as does the price of fuel. To help mitigate the effects of both we have hedging programs in place. We also remain committed to cutting costs throughout the business.
>
> **Cost reduction is embedded in the CP Ships culture. In 2003 we exceeded our target of $80 million in annualized cost savings, achieving $100 million.**
>
> This year, although there are fewer opportunities for cost cutting, our target is to reduce costs by $35 million on an annualized basis.
>
> **Our ship networks are always under review to identify opportunities to increase efficiency and maximize service profitability.**
>
> We continue to look for opportunities to consolidate backroom activities that support our branded services. Our marine and inland operations, container logistics, accounting, insurance and information services are all examples of backroom activities that were previously brand-specific and are now consolidated.
>
> Regarding information systems, in 2003 we made good progress reducing the number of information systems inherited from acquisitions. By the end of this year we expect to have one system, meaning one single operational system, one single financial system.

(Emphasis added.)

106. The statements contained in the May 3, 2004 release, and in Halliwell's May 4, 2004 remarks, set forth in the preceding three paragraphs, were materially false and misleading for the following reasons:

(a) The statement that "performance was strong in 2003" was false and misleading because the Company's 2003 financial statements that were not accurate or reliable; were not presented in accordance with GAAP; materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's 2003 financials.

(b) The statements regarding anticipated favorable performance for the first quarter of 2004, and performance exceeding that of 1Q03, were false and misleading because the first quarter figures 2004 to be published the following week were not accurate or reliable; were not presented in accordance with GAAP; materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's first quarter 2004 financials.

107. About a week later, on May 11, 2004, Defendants issued a release which purported to announce improved profits for the first quarter of 2004, the period ended March 30, 2004. The release stated, in part, the following:

CP Ships announces improved first quarter profits

CP Ships Limited today announced unaudited first quarter 2004 operating income of US $16 million, compared with a $3 million loss before exceptional items in first quarter 2003. Basic earnings per share was $0.09 compared with a basic loss per share of $0.13 before exceptional items in first quarter 2003. **Net income available to common shareholders was $8 million,** compared to a net loss of $22 million in first quarter 2003.

"With **record volume and revenue for the seasonally weak first quarter broadly across all market segments, this is our best first quarter operating profit since becoming public in October 2001**," commented Ray Miles, Chairman of CP Ships

* * *

Outlook

Following an improved first quarter results, we maintain our view that net income in 2004 will be higher than in 2003.

(Emphasis added.)

108. In addition to the foregoing, Defendants again used this release to condition investors to believe that the Company's outlook was improving and that CP Ships had based its projections and had presented its financial reports in accordance with GAAP, as follows:

> 1. Basis of Presentation
>
> These interim consolidated financial statements have been prepared using the accounting policies, other than those set out in Note 2 to these interim consolidated financial statements, that are consistent with the policies used in preparing the 2003 annual consolidated financial statements, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently.
>
> * * *
>
> Earnings Per Share
> Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding.

109. Buried on page seven of the press release, Defendants mentioned, in a section imprecisely entitled "Comparatives," that the Company was revising 2003 net income downwards by $8 million, purportedly on a one-time non-recurring basis, and attributed the revision to the SAP implementation, as follows:

> COMPARATIVES
>
> During the first quarter, we commenced implementation of a new SAP financial accounting system to replace legacy systems largely inherited with acquisitions.
>
> The SAP implementation has shown that through 2003 we incorrectly revised downwards accruals for certain costs of container shipping operations. Accordingly the results for 2003 and the balance sheet as at 31st December 2003 will be **revised to reflect a reduction in operating income and net income of $8 million** with each of the four quarters being revised. . . . Our auditors, PricewaterhouseCoopers LLP, have reviewed

> the financial statements for first quarter 2004 and have issued an unqualified report to the Audit Committee of the Board.
>
> **This revision is one-off and non-recurring. It does not affect performance in first quarter 2004 and does not affect our 2004 outlook**.

(Emphasis added.)

110. On May 11, 2004, Defendants also discussed the Company's purportedly favorable income results for first quarter 2004, and the $8 million downwards restatement of reported 2003 net income, during an earnings release conference call/webcast. Defendant Miles emphasized the favorable first quarter results, while downplaying the extent and import of the revision to the Company's 2003 results (at the very end of the conference call), as follows:

> We've had a good start to the year in what is always our toughest quarter. And in general, EBITDA, operating income, net income are all up by about $20 million compared with the same quarter in 2003.
>
> Indeed, our volume for the quarter and our sales revenue for the quarter **are both records** by some way for the first quarter. Turning to page three where we summarize the performance of the company this quarter. And that finishes up **with $8 million of net income** compared with $12 million before exceptional items last year and earnings per share of $0.09 in the first quarter.
>
> * * *
>
> Before wrapping up, I might just draw your attention to page seven in our press relsease under the chapter heading Comparatives where, following the implementation of the new SAP accounting system across a large part of the group during the first quarter which you may recall is one of the reasons why we delayed this call.
>
> We have taken a revision **to our 2003 results which in total add[ed] up to about $8 million. That doesn't affect Q12004 and it doesn't affect our outlook and prospects for the year.** Looking ahead for the year, after a good Q1, we are confident that we will indeed beat our 2003 result for the year overall. And we are particularly heartened that within Q1 after a difficult January and February we had a really good result for March, which gives us quite some heart for the year going forward.

(Emphasis added.)

111. The statements contained in the Company's May 11, 2004 release, which were also filed with the SEC the following day pursuant to Form 6-K, and the May 11, 2004 conference call, set forth in the preceding four paragraphs, were materially false and misleading for the following reasons:

> (a) The first quarter 2004 results set forth in such statements materially overstated the Company's earnings, net income and revenues and failed to accrue all necessary costs and charges and to record all asset impairment charges on a timely basis in accordance with GAAP. The Company later admitted to the material overstatements by having to restate the Company's first quarter 2004 financials;
>
> (b) The $8 million downwards revision of 2003 operating income and net income grossly understated the revision to 2003 operating income and net income needed to make the Company's financial reports accurate; and
>
> (c) The statements that the $8 million revision was "non-recurring" and a "one off" and would not affect 2004 were false and misleading because far greater revisions to operating income and net income for 2002, 2003 and 2004 were needed to make the Company's financial reports accurate.

<u>The Truth Begins to Emerge</u>

112. On August 9, 2004, CP Ships announced that, in conjunction with the release of second quarter 2004 results, it would restate previously reported financial results. More specifically, the Company, in its press release, stated:

> **CP Ships Will Restate Previously Reported Financial Results**
>
> LONDON, UK (9th August 2004) - Further to its 5th August announcement that the release of its second quarter 2004 financial results has been rescheduled to 16th August, CP Ships Limited announced today that in conjunction with the release of second quarter 2004 results it will restate previously reported financial results.
>
> As announced in May, CP Ships began implementing a new SAP financial accounting system in January. The implementation has revealed some deficiencies in former systems and related business and accounting

> processes, for which corrective action has been taken and continues. These deficiencies resulted in insufficient accruals for certain costs and also a number of balances from 31st December 2003 that need to be written off. There is no effect on cash.
>
> **The main effect will be on 2003. The estimated negative restatement of 2003 net income is between $22 million and $27 million which will be in addition to the $8 million restatement of 2003 net income announced on 11th May 2004 in the first quarter 2004 report. Net income for 2003, which after the $8 million restatement was reported at $74 million, would become between $47 million and $52 million.**
>
> **To a lesser extent, 2002 will be affected with an estimated downward revision of net income of about $7 million. Net income for 2002 had been reported at $52 million.**
>
> **Furthermore, first quarter 2004 net income will be revised downward by about $6 million from the $8 million originally reported.**
>
> Nonetheless, CP Ships considers that net income for the year 2004 will be higher than 2003 net income, as originally reported before any restatements, of $82 million. Management has been conducting a thorough review of the financial statements which has involved Internal Audit and the external auditors PricewaterhouseCoopers and, for this, more time is needed. The review, to be completed to the satisfaction of the Audit Committee of the Board of Directors, is planned to be achieved in time to report second quarter 2004 results and restated prior periods on 16th August.
>
> Pending completion of the review and publication of revised financial statements, investors should not rely on previously reported financial statements and related PricewaterhouseCoopers reports for the years 2003 and 2002 nor on financial statements for first quarter 2004.

(Emphasis added.)

113. This news shocked the market. Shares of CP Ships fell $3.70 per share or 22.36 percent, on August 9, 2004, to close at $12.85 per share.

114. Analysts were quick to react to this news. On August 9, 2004, National Bank Financial ("National Bank") revised its EPS estimates to $1.21 and $1.23 in 2004 and 2005 from $1.50 and $1.53. Their subsequent recommendation was Underperform.

In making their recommendation, National Bank stated, "[w]e believe market participants will deal with these accounting issues swiftly, and with the shipping cycle nearing or cresting the peak, **we believe the wind may be out of CP Ships' sails heading into the next couple of years."** (Emphasis added.)

115. The next day, August 10, 2004, CIBC World Markets ("CIBC") changed their rating on CP Ships to Sector Underperformer from Sector Performer. Moreover, CIBC stated, "[w]e are suspending our estimates and price target until the results of the auditors report are disclosed and additional clarification is provided at next week's conference call."

116. On August 12, 2004, National Bank discussed rumors of a possible takeover as a result of the low stock price:

> Rumors continue that one of CP Ships' competitors may take a run at the company given its low share price, on the back of Monday's "restatement" announcement. On face value it makes sense given its share price continues to hover around the replacement value of its ships, as supported by the secondhand markets.

Despite rumors of a takeover, National Bank nevertheless did not change its Underperform rating, stating that, "**at least until the market has more clarity and confidence in CP Ships financial results, the short term reasons to buy the stock were just dry-docked**." (Emphasis added.)

117. On August 16, 2004, CP Ships announced its restatement of the years 2002, 2003 and the first quarter 2004. The magnitude of the restatement was shocking. The Company stated:

> Further to our announcement on 9th August, the previously reported financial results for 2002, 2003 and first quarter 2004 have been restated. **The total effect of all restatements is $41 million with $7 million in 2002, $29 million in 2003, and $5 million in the first quarter 2004.**

> **First quarter 2004 net income has been revised downward by $5 million from the $8 million originally reported to $3 million. Of the adjustment, $4 million is the underaccrual of container shipping costs and $1 million is reduction in revenue.**
>
> **The total reduction in net income for 2003 is $29 million of which $20 million is the underaccrual of container shipping costs; $7 million is intercompany and other balances which cannot be supported and which mainly reduce revenue; and $2 million is the inadvertent reversal of cost accruals being the remaining effect on 2003 of the original $8 million revision. Restated net income for 2003 is $53 million compared to $82 million originally reported.**
>
> **Net income for 2002 is reduced by $7 million relating to the understatement of container shipping costs. Net income for 2002 has therefore been revised downward from $52 million as originally reported to $45 million.**

(Emphasis added.)

118. On the same day the Company announced its restatement, August 16, 2004, the Company held a conference call with analysts. During that call, defendant Miles stated, "**with respect to the restatements you should all know that we feel that we have let down our investors and let down ourselves**." (Emphasis added.)

119. During the August 16, 2004 conference call, defendant Webber summarized the restatement as follows:

> There are three broad areas which we cover – cost accruals; intercompany balances, which were the subject of the first restatement we announced in May; and other balances that we are now writing off.
>
> We talk about the cost accruals, which is the largest element of the restatement. We have in CP Ships over 3 million TEU worth of full and empty moves each year. All of these have several cost components. Consequently there are many millions of transactions for us to report. Most of these individual transactions are relatively modest, a few hundred dollars at a time. Some of the costs affirm at the time we make the move; others have to be estimated. And the main reason for our restatement is underestimating these costs.

> We implemented SAP from January 2004 in five of our seven brands. This placed increased demands on the finance functions, both before and after the implementation and with delays in processing invoices and other data, particularly in a period of rising costs, led to insufficient accruals for costs and delayed recognition of this.
>
> The second adjustment...is the dividend to Company balances. This is the restatement to 2003 of 8 million that we announced an the 11th of May, the incorrect reversal of accruals in 2003. Following further substantial investigation, which has taken quite a lot of time, we now have revised that adjustment to be 9 million, and 7 million of it pushed back into 2002.
>
> The third area is the balances written off...SAP has enabled us to improve our reconciliation procedure and the review processes that we go through. As a consequence, we have identified some $8 million of sundry balances at the end of December 03 which needs to be written off. They are mainly revenue-related and nonrecurring, and are mostly for 2003.

120. Finally, during that same call, defendant Webber was asked about the timing of the restatement. Incredibly, he admitted that as early as April 2003, invoices were posted that indicated that their accruals were not sufficient. The following exchange took place between Jeremy Wohleber, and analyst from National Bank, and defendant Webber:

> Wohleber: Just following up with regard to the timing of the restatement announcement, I'm just trying to get an idea of when you realized that a restatement might be required, given that the invoices were, as you mentioned – that you had all invoices for the higher costs, given the 7 months into the year. I'm just wondering when you became aware that a restatement would be required and that high expenses were being incurred. Just following up whether the May restatement – was it all related to the SAP integration?
>
> Webber: To deal with the second question first, the May restatement was not to do with SAP. **The first point, about the timing of our awareness of all of this and the need for a restatement – clearly, this doesn't happen overnight.**
>
> To give accurate information to the market, to our investors, we have to be confident in what we are saying. That takes a little time to investigate. There's been a huge amount of activity over the last couple or three weeks

> to bolt down these numbers. **But it really all started July time, early July.**
>
> Up until around June, we had no reason to believe that our accruals were actually insufficient. The balances in the balance sheet appeared to be adequate. But, in part because of the delays of processing cost data, we were a bit behind in terms of our accounting. **And there were invoices relating to 2003 that were posted in April, May, June, July. And as those months unfolded, it became apparent that our accruals were not sufficient.**
>
> We bolted down those numbers, and it was apparent on the 9th of August at an audit committee meeting that we needed to inform the market. And hence the press release.

(Emphasis added.)

121. Analysts were not impressed by the August 16, 2004 conference call. In fact, that same day, Salman Partners came out with a report that was highly critical of CP Ships. That report downgraded the Company's stock. Specifically, that report stated:

> [W]e are lowering our 2004 EPS estimate to $1.05 (from $1.40)...We are also lowering our 2005 EPS estimate to $1.15 (from $1.90). **Due in particular to CP Ships significant restatement of its historical financial results, we admittedly have a somewhat reduced level of confidence in company management**, as well as our own financial forecasts . . . **we are reducing our recommendation to HOLD from BUY** as well as our target P/E multiple to 10x (from 11x). Subsequently we are lowering our target price to Cdn $15.00 (from Cdn $29), based on our new 2005 EPS estimate.

(Emphasis added.)

122. On August 17, 2004, CIBC came out with their revised estimates. Specifically, their report stated: "EPS is $0.95 (down from $1.55 prior to our estimate suspension on August 10, 2004)...We continue to rate the shares as Sector Underperformer."

123. The Company issued a press release on November 15, 2004 announcing the formation of a Special Committee charged with overseeing aspects of the restatement. The Company stated, in pertinent part:

> RESTATEMENT UPDATE
> A Special Committee of the Board, constituted in August and comprising four independent directors, has been charged with overseeing certain aspects of the restatement of financial results for the first quarter 2004 and the years 2003 and 2002**. The commitee's mandate includes independently investigating the principal reasons for the restatement and management's response to the causes of the restatement, investigating certain stock trades made by officers of the company in May and June this year, oversight of the defense of class action lawsuits and liason with regulators.**
>
> * * *
>
> **Chairman Ray Miles, CEO Frank Halliwell and CFO Ian Webber will each have repaid, by the end of this year, a large portion of their 2003 cash bonuses previously received, to reflect the reduced bonus due on the restated profits.**

(Emphasis added.)

124. On December 1, 2004, the Company issued a press release stating, in pertinent part, that: "Frank Halliwell has resigned as CEO of CP Ships with immediate effect due to differences with the Board on future direction of the company."

125. On December 3, 2004, the Company issued a press release regarding the Special Committee's investigation into the stock trading activities of defendant Miles and others in May and June of 2004. That release stated:

> CP Ships Limited reported today that its Special Committee comprised of four independent directors and chaired by Peter Dey has completed the previously announced investigation into stock trading activities in May and June of this year by certain officers of the Company. The Special Committee investigation addresses, among other things, issues raised in an August 2004 letter from the Ontario Securities Commission concerning these stock trading activities.

> **The Special Committee found that trading in shares of the Company by certain officers in that period should not have taken place.** The Special Committee concluded that there was no intent to violate applicable securities laws. It also noted that the trading was done openly and with required internal trading approvals. The Special Committee has requested that the individuals involved, including Chairman Ray Miles, make appropriate restitution to the Company in respect of such trading activity. The Company will continue to co-operate fully with securities regulatory authorities.

(Emphasis added.)

126. The significant artificial inflation in the price of CP Ships securities during the Class Period caused hundreds of millions of dollars in damages to be suffered by the members of the Class as a result of Defendants' illegal and improper conduct.

127. According to analysts and market commentators, shares of the Company would probably have fallen further had it not been for the significant rumors that began to circulate following the Company's corrective release, that CP Ships was now a candidate to be acquired by more skilled and honest management - - which would likely take advantage of the distressed condition of the Company and acquire it without paying a significant premium.[8]

[8] See, e.g., National Post's Financial Post & FP Investing, Aug. 12, 2004 ("Pirates on the seas: It happens often. Stock collapses. Analyst mentions the words 'takeover target' and the stock bounces. Whether or not a takeover actually occurs is another point. The market has a short memory. CP Ships Ltd. rose yesterday for a second straight session to $18.09 (US$13.65), up about $2 from its 52-week low of $16.10 set on Monday after the shipping firm admitted accounting problems. Fadi Chamoun, of UBS Warburg, told Lloyd's List, a British shipping publication, that CP Ships was 'absolutely' a takeover target. He said CP Ships' rivals might take a run at CP because of the tight demand-supply environment in the industry, which is expected to last until the end of 2005."); Factiva, "CP Ships Ltd – Post Says CP Ships Bouyed By Takeover Talk," Aug. 12, 2004.

SCIENTER ALLEGATIONS

128. As detailed herein by former CP Ships employees, Defendants received and reviewed detailed reports regarding costs and other financial parameters from the Company's cost accounting department, the Company's Marine Operations department, accounts payable, and Treasury, and were well aware of the costs incurred by and flowing from the Company. In addition, defendant Halliwell often directed the cost accounting manager to change numbers on the financial reports furnished to him, thereby displaying his detailed knowledge of the Company's finances.

129. Individual Defendants were "hands-on," knowledgeable micro-managers, as described by numerous former CP Ships employees.

130. Defendants were also motivated to and did conceal the true operational and financial condition of CP Ships during the Class Period, and materially misrepresented and failed to disclose the conditions that were adversely affecting CP Ships throughout this time, because it (i) allowed Defendants to raise hundreds of millions of dollars from security offerings, on very favorable terms, which would not have otherwise been available; (ii) allowed Defendants to obtain credit facility financing on more favorable terms than would otherwise have been available; (iii) allowed Individual Defendants to personally profit by selling personal holdings of their CP Ships shares at inflated prices at highly suspicious times; and (iv) allowed Individual Defendants to personally profit from results-based bonuses. Specifically:

Credit Facility Financings Motivated Defendants To Conceal The Truth

131. Defendants were also motivated to conceal the truth regarding CP Ships' financials in order to maintain CP Ships' credit rating, and thereby negotiate and obtain a

new credit facility on more favorable terms than would otherwise be available, and avoid higher interest charges on CP Ships' credit facility. On March 25, 2004, CP Ships closed on a five-year $525 million secured multicurrency revolving credit facility. This new credit facility, which was secured on 25 owned ships, replaced two secured revolving credit facilities, one for $175 million in place since August 2001 and one for $350 million completed in March 2002. The new credit facility was available for general corporate purposes including capital expenditure and acquisitions. Significantly, the pricing of the credit facility was linked to CP Ships' credit ratings. (Based on CP Ships' corporate credit ratings on the date the facility closed, of BBB- from Standard & Poor's and Ba2 from Moody's Investor Services, initial borrowings were at LIBOR+1.10% with a commitment fee of 0.44% payable on the undrawn portion. Should CP Ships draw more than half of the facility, the applicable margin would increase by 0.15%.)

Securities Offerings Motivated Defendants To Conceal The Truth

132. Defendants were motivated to conceal the truth because this enabled Defendants to sell almost $200 million of CP Ships Convertible Notes - convertible into shares of the Company stock valued at over $25.22 per share - on or about February 24, 2004, on more favorable terms than would otherwise be available.

Defendant Miles And Others Were Motivated To Conceal The Truth In Order To Engage In Insider Sales

133. Individual defendant Miles and other high-level CP Ships executives were motivated to conceal the truth to personally profit by selling personal holdings of their CP Ships shares at highly inflated prices at apparently coordinated, extremely suspicious times.

134. Specifically, according to the Canadian System for Electronic disclosure, Miles made sales in May 2004, less than three months prior to the restatement of nine quarters' financials, for a total profit of close to four million dollars ($3,845,536.10) as follows:

Date Sold	Number & Type of Shares	Sale Price per share	Profit*
5/19/04	110,667 stock options	$23.202	$1,700,066.00
5/19/04	51,671 restricted stock	$23.1958	$1,198,550.10
5/26/04	40,000 restricted stock	$23.673	$ 946,920.00
Miles' Total May 2004 Sales:			$3,845,536.10

* For stock options, the profit is the price at time of exercise (purchase and resale) minus the market price at the time of grant, $7.84. For restricted stock, the profit is the market price at the time of sale.

135. Notably, the 110,667 stock options which Miles exercised and sold in May 2004, for a profit of over $1.7 million, were not set to vest until October 18, 2004. The Company reported that the Board accelerated vesting of the options to May 2004, purportedly in connection with Miles election to Chairman on May 4, 2004.[9] In addition, from matching Miles' prior restricted stock option grants and sales, it appears that the

[9] The media later commented on the early vesting of Miles' options, and how this early vesting enabled Miles to profit from stock sales shortly before the stock plunged. See "CP Ships Action Enabled Share Sale: Accelerated Vesting Of Options Enabled Chairman To Cash In Before Price Dive," Globe & Mail, Dec. 7, 2004, reprinted at http://www.veritascorp.com/news/pdf/CP%20Ships.Dec.7.04.pdf ("CP Ships Ltd. said yesterday that it had accelerated Chairman Ray Miles' vesting of stock options by five months, allowing him to sell those options shortly after he relinquished his duties as chief executive officer in May, months before the stock plunged. The exercise and sale of 110,667 shares on May 19 proved to be good timing because CP Ships' shares tumbled 22 per cent in August, when the container shipping company announced that it had overstated its profit.").

restricted stock sold by Miles in May 2004, for a profit of over $2 million, was not supposed to "vest" (have restrictions on sale lifted) until December 1, 2004.

136. In addition, Miles made another large Class Period sale in August 2003, as follows:

Date Sold	Number & Type of Shares	Sale Price per share	Profit
8/29/03	25,000 long term incentive plan ("LTIP")	$28.48	$ 712,000.00

137. Moreover, other CP Ships insiders and high-level executives – Vice President, General Counsel and Secretary John Irving, Senior Vice President of North America JP LaCasse, and Vice President for Investment Relations Jeremy Lee – made the following sales, all within approximately one week of when defendant Miles made his close to four million dollars profit of sales in May 2004:

Date Sold	Number & Type of Shares	Sale Price per share	Profit
Irving:			
6/4/04	1,123 LTIP	$23.87	$ 26,806.00
JP LaCasse:			
5/26/04	91 LTIP	$17.37	$ 1,580.67
5/26/04	92 LTIP	$17.37	$ 1,598.04
5/24/04	1,300 deferred comp plan	$17.31	$ 22,503.00
		LaCasse Total:	$ 25,681.71
Lee:			
05/20/04	7,608 LTIP	$23.0716	$ 175,528.73

138. The Ontario Securities Commission is looking into the above-described insider trading activity which took place in May and June 2004.

Cash Bonuses Based On Financial Targets Motivated Defendants To Conceal The Truth

139. In addition, the Individual Defendants herein were motivated to conceal the truth to personally profit from cash bonuses which were based on the Company's financial results. The Company's annual bonus, or short term incentive plan, was based on the achievement of financial targets, normally operating profits, set by the compensation committee at the beginning of the year. The bonus was a percentage of an executive's base salary. If less than 70% of the target was achieved, no bonus was awarded. If the target was exceeded, more than the target percent of base salary could be awarded. If 130% or more of the target operating profit level was achieved, executives could be awarded up to two times the target percent of their base salary. In 2003, the Company reported that executives were awarded 130% of their "target" level of bonus. Thus Miles, whose base salary was $ 714,286.00, and whose "target" of base salary was 40%, was awarded a bonus of $371,429.00.

140. Notably, according to CP Ships' November 15, 2004 press release, Defendants Miles, Halliwell and Webber were required to return a "large portion" of the cash bonuses they received for 2003, because the bonuses were based on financial results that were later revised downward. According to the Company's 2005 Proxy (at 14 n.4), the 2003 bonuses awarded, and repaid, by Individual Defendants were:

	Bonus Rec'd	Repaid	Retained
Miles	$371,429	$114,286	$257,143
Halliwell	$206,700	$ 63,600	$143,100

Webber	$167,143	$ 51,429	$115,714

THE MATERIAL IMPACT OF THE RESTATEMENT

141. In defendant Miles' letter to shareholders in the Company's 2004 Annual Report, Miles discussed the Company's $41 million restatement, and, under the topic "Stock Performance," immediately admitted: "Investor confidence in CP Ships suffered as a result of the restatement."

142. CS-5 explained that the shipping industry is a low-margin industry. Due to CP Ships' low operating margins, the substantial impact which the restatement had on operating income is extremely significant and material. The impact of the restatement on operating income was as follows:

1Q04 – Operating Income overstated by $5M or 31%

4Q03 – Originally reported operating income of $49 million was restated to $ 36 million; meaning that 26% of the originally reported income was fictitious.

3Q03 – Operating income was overstated by 14%.

2Q03 – Operating income was overstated by 15%.

1Q03 – Operating income was overstated by 200%. (An operating loss of $2 million was in reality an operating loss of $ 6 million.)

For the entire year of 2003, operating income was inflated by a highly significant 22%.

4Q02 – Operating income was overstated by 6%.

3Q02 – Operating income was overstated by 6%.

2Q02 – Operating income was overstated by 9.5%.
(A $6 million operating loss should have been reported as a $7 million operating loss.)

For the entire year of 2002, operating income was inflated by 9.2%.

There was also a significant, material impact on CP Ships' net income, as follows:

FY02 Net Income overstated by $ 7 million or 13%

FY03 Net Income overstated by $29 million or 35%

1Q03 Net Loss overstated by $4 million or 20%

1Q04 Net Income overstated by $5 million or 62.5%

(Restated Net Income for the other quarters in 2003 and 2002 were not disclosed.)

VIOLATIONS OF GAAP AND SEC REPORTING RULES

143. During the Class period, Defendants materially misled the investing public, thereby inflating the price of the Company's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its financial performance, accounting, reporting, and financial condition in violation of the federal securities laws and generally accepted accounting principles.

144. Generally accepted accounting principles consists of those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practice at the particular time. Regulation S-X, to which the Company is subject as a registrant under the Exchange Act, 17 C.F.R. 210.4-01(a)(1), provides that financial statements filed with the SEC which are not prepared in compliance with GAAP, are presumed to be misleading and inaccurate. SEC Rule 13a-13 requires issuers to file quarterly reports.

145. SEC Rule 12b-20 requires that periodic reports contain such further information as is necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

146. In addition, pursuant to generally accepted accounting principles, for interim periods, the Management Division and Analysis Section ("MD&A") must include, among other things, a discussion of any material changes in the registrant's results of operations with respect to the most recent fiscal year-to-date period for which an income statement is provided. Instructions to Item 303 require that the this discussion identify any significant elements of registrant's income or loss from continuing operations that are not necessarily representative of the registrant's ongoing business. Item 303(a)(2)(ii) to Regulation S-K requires the following discussion in the MD&A of a company's publicly filed reports with the SEC:

> Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in relationship shall be disclosed.

> Paragraph 3 of the Instructions to Item 303 states in relevant part:

> The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of (A) matters that would have an impact on future operations and have not had an impact in the past . . .

147. The generally accepted accounting principles relating to the recognition of adequate provisions for foreseeable costs and associated allowances applies to interim

financial statements, as is required by Accounting Principles Board Opinion No. 28. Paragraph 17 of this authoritative pronouncement states that:

> The amounts of certain costs and expenses are frequently subjected to year-end adjustments even though they can be reasonably approximated at interim dates. To the extent possible such adjustments should be estimated and the estimated costs and expenses assigned to interim periods so that the interim periods bear a reasonable portion of the anticipated annual amount.

148. For example, Statements of Financial Accounting Standards No. 5, Accounting for Contingencies ("FASB 5"), states that:

> An estimated loss from a loss contingency . . . shall be accrued by a charge to income if both of the following conditions are met:
>
> a. Information available prior to issuance of the financial statements indicates that an asset had been impaired or that a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss; and
>
> b. The amount of the loss can be reasonably estimated.

149. Here, "information available prior to issuance" of the Company's fiscal 2002 and 2003 and its first quarter of 2004 financial statements and quarterly filings made during the Class Period indicated that "an asset had been impaired or that a liability had been incurred at the date of the financial statements." Defendants knew of, or recklessly disregarded, this information.

150. Therefore, Defendants were required to provide for the loss through a charge to income during fiscal 2002 and 2003 and during the first quarter of 2004. These financial statements and announcements were knowingly and recklessly false and misleading when made for the reasons stated herein.

151. The Company's financial statements contained in the fiscal first, second and third quarter quarterly reports filed with the SEC on Forms 10-Q for the quarterly

periods throughout the Class Period were presented in a manner that violated the principle of fair financial reporting and the following generally accepted accounting principles, among others:

a. The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions.

b. The principle that financial reporting should provide information about an enterprise's financial performance during a period.

c. The principle that financial reporting should be reliable in that it represents what it purports to represent.

d. The principle of completeness, which means that nothing material is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions.

e. The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered.

f. The principle that disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the financial statements.

g. The principle that losses be accrued for when a loss contingency exists.

h. The principle that if no accrual is made for a loss contingency, then disclosure of the contingency shall be made when there is at) least a reasonable possibility that a loss or an additional loss may have been incurred.

i. The principle that contingencies and other uncertainties that affect the fairness of presentation of financial data at an interim date shall be disclosed in interim reports in the same manner required for annual reports.

j. The principle that disclosures of contingencies shall be repeated in interim and annual reports until the contingencies have been removed, resolved, or have become immaterial.

k. The principle that management should provide commentary relating to the effects of significant events upon the interim financial results.

152. In addition, during the Class Period, Defendants violated SEC disclosure rules:

a. Defendants failed to disclose the existence of known trends, events or uncertainties that they reasonably expected would have a material, unfavorable impact on net revenues or income or that were reasonably likely to result in the Company's liquidity decreasing in a material way and that failure to disclose the information rendered the statements that were made during the Class Period materially false and misleading; and

b. by failing to file financial statements with the SEC that conformed to the requirements of generally accepted accounting principles, such financial statements were presumptively misleading and inaccurate.

153. Defendants were required to disclose in the Company's financial statements the existence of the material facts described herein and to appropriately recognize and report assets, revenues, and expenses in conformity with generally accepted accounting principles. The Company failed to make such disclosures and to account for and to report its financial statements in conformity with generally accepted accounting principles. Defendants knew, or were reckless in not knowing, the facts which indicated that all of the Company's interim financial statements, press releases, public statements, and filings with the SEC, which were disseminated to the investing public during the Class Period, were materially false and misleading for the reasons set forth herein. Had the true financial position and results of operations of the Company been disclosed during the Class Period, the Company's common stock would have traded at prices well below that which it did.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

154. At all relevant times, the market for CP Ships' securities was an efficient market for the following reasons, among others:

(a) CP Ships' stock met the requirements for listing, and was listed and actively traded on the New York Stock Exchange and Toronto Stock Exchange, highly efficient and automated markets;

(b) As a regulated issuer, CP Ships filed periodic public reports with the SEC and the New York Stock Exchange;

(c) CP Ships regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) CP Ships was followed by several securities analysts employed by major brokerage firm(s) who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firm(s). Each of these reports was publicly available and entered the public marketplace.

155. As a result of the foregoing, the market for CP Ships securities promptly digested current information regarding CP Ships from all publicly available sources and reflected such information in CP Ships stock price. Under these circumstances, all purchasers of CP Ships common stock during the Class Period suffered similar injury through their purchase of CP Ships common stock at artificially inflated prices and a presumption of reliance applies.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

156. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who

purchased or otherwise acquired the securities of CP Ships between January 29, 2003 and August 9, 2004, inclusive (the “Class”) and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

157. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, CP Ships securities were actively traded on the NYSE and Toronto Stock Exchange. Throughout this time, the Company had almost 90 million shares issued and outstanding, which shares traded in the United States on the NYSE and in Canada on the Toronto Stock Exchange. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by CP Ships or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

158. Plaintiffs’ claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

159. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

160. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of CP Ships; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

161. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

NO SAFE HARBOR

162. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false

forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of CP Ships who knew that those statements were false when made.

FIRST CLAIM
Violation Of Section 10(b) Of
The Exchange Act And Rule 10b-5
Promulgated Thereunder Against All Defendants

163. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

164. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did:

(a) Deceive the investing public, including Plaintiffs and other Class members, as alleged herein;

(b) Enable Defendants to sell at least $200 million of CP Ships Convertible Notes- - convertible into shares of the Company stock valued at over $25.22 per share - - on or about February 24, 2004, which money Defendants controlled following this offering;

(c) Enable Defendants to negotiate a new $525 million credit facility on or about March 25, 2004, while in possession of material adverse information, upon terms much more favorable than Defendants would have been able to negotiate after the market came to understand the true operational and financial condition of the Company; and

(d) Cause Plaintiffs and other members of the Class to purchase CP Ships common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, jointly and individually (and each of them,) took the actions set forth herein.

165. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for CP Ships' common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

166. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of CP Ships as specified herein.

167. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of CP Ships' value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about CP Ships and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in

transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of CP Ships common stock during the Class Period.

168. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

169. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts. Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing CP Ships' operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, Defendants, if they did not

have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately or recklessly refraining from taking those steps necessary to discover whether those statements were false or misleading.

170. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of CP Ships common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of CP Ships' publicly-traded common stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired CP Ships common stock during the Class Period at artificially high prices and were damaged thereby.

171. At the time of said misrepresentations and omissions, Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known the truth regarding the problems that CP Ships was experiencing, which were not disclosed by Defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their CP Ships' common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

172. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

173. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

SECOND CLAIM
Violation Of Section 20(a) Of
The Exchange Act Against Individual Defendants

174. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

175. Individual Defendants acted as controlling persons of CP Ships within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

176. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to

have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

177. As set forth above, CP Ships and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

A. Determining that this action is a proper class action, certifying Lead Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: June 10, 2005

Respectfully submitted,

MILBERG WEISS BERSHAD & SCHULMAN LLP

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 10th day of June, 2005, I presented the foregoing to the Clerk of the Court for filing and uploading to the CM/ECF system. I further certify that on the same date I mailed the foregoing document to counsel of record on the attached Service List.

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