

KVAERNER E&C HOLDINGS LIMITED
(formerly Kvaerner E&C PLC)
Company Number 1125

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2005

ACTIVITIES AND PROSPECTS

The Company is an investment and holding company and it and its subsidiaries are members of the TH Global group of companies, which group is engaged in a work out process

The Group's operations relate to the management of a portfolio of a small number of operational businesses and minority shareholdings and significant liabilities and costs related to historic issues, such as historic contractual liabilities, environmental liabilities, legal disputes, industrial injury claims, future liabilities under property leases and sundry other liabilities, in pursuit of the maximisation of value for all stakeholders. The objective of the work out of the Group is to manage its operations, sell/realise remaining assets and settle legacy issues and liabilities in a manner reasonably satisfactory to all stakeholders. The Directors of the Company and its subsidiaries seek legally and financially viable solutions to the legacy issues facing them. By the nature of the TH Global group as a work out, following the completion of remaining contractual obligations and the resolution of legacy issues it is intended that the Company and its subsidiaries will be liquidated or dissolved.

RE-REGISTRATION AS A PRIVATE COMPANY AND CHANGE OF NAME

On 18 March 2005, the Company re-registered as a private company and changed its name and is now incorporated under the name Kvaerner E&C Holdings Limited

FINANCIAL STATEMENTS AND DIVIDEND

The audited financial statements appear on pages 6 to 15, inclusive

The results for the year are set out in the Profit and Loss account on page 6. The loss for the year after taxation was £56,030,000 (2004 profit £21,011,000)

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2005 (2004 £315,000) and no dividend has been paid or declared since the end of the previous financial year

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KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

DIRECTORS' REPORT (continued)

CHANGE IN ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2004 and until 1 April 2005, the Company was a member of the Kvaerner ASA group of companies. The Company's immediate parent was, and still is, Trafalgar House Property Limited, which itself is an indirect subsidiary of TH Global plc (formerly Kvaerner PLC). At 1 April 2005, a management buy-out of certain assets and liabilities of Kvaerner ASA, including the shares of TH Global plc, took place with consequential change in the ultimate parent company and ultimate controlling party of the Company.

DIRECTORS

The Directors, all of whom have been Directors for the whole of the year, are as follows:

Rufus Laycock
Anders Misund
Runar Nilsen

DIRECTORS' SHARE INTERESTS

At 31 December 2005, no Director had a direct interest in the shares of the Company or any other company in the same group either during or at the end of the year. Anders Misund and Runar Nilsen both have an indirect interest in the shares of the Company by virtue of being indirect beneficiaries of The Glacier Trust, established under the laws of Guernsey, which is regarded the ultimate controlling party of the Company.

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KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

DIRECTORS' REPORT (continued)

ANNUAL GENERAL MEETING

The Company has dispensed with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings

AUDITOR

KPMG Audit Plc has signified its willingness to continue in office

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG Audit Plc is, therefore, deemed re-appointed as auditor for the succeeding year

By order of the Board,

Rufus Laycock

Rufus Laycock
Secretary

Date 29 March 2007

Registered office
68 Hammersmith Road,
London W14 8YW

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In

- preparing those financial statements, the Directors are required to
 - select appropriate accounting policies and then apply them consistently,
 - make judgements and estimates that are reasonable and prudent,
 - state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
 - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

Independent auditors' report to the members of Kvaerner E&C Holdings Limited

We have audited the financial statements of Kvaerner E&C Holdings Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

3 April 2007

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	Year ended 31 December 2005 £ 000's	Year ended 31 December 2004 £ 000's
Other operating expenses		(3)	(138)
Operating (loss)		(3)	(138)
Profit on sale of fixed assets		105	-
Income from shares in group undertakings		87	1,558
Amounts written off investments in subsidiary undertakings	5b	(37,383)	(1,836)
Interest receivable and similar income	3	26,913	21,816
Interest payable and similar charges	3	(45,749)	(74)
(Loss)/profit on ordinary activities before taxation	1	(56,030)	21,326
Tax on (loss)/profit on ordinary activities	4	-	(315)
Retained (loss)/profit for the financial year	9	<u>(56,030)</u>	<u>21,011</u>

There is no material difference between the (loss)/profit on ordinary activities before tax stated above and the (loss)/profit on ordinary activities before tax stated on a historical cost basis

**STATEMENT OF TOTAL RECOGNISED GAINS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	Year ended 31 December 2005 £ 000's	Year ended 31 December 2004 £ 000's
(Loss)/profit for the financial year		(56,030)	21,011
Revaluation of subsidiary undertakings	5b	63,397	68,800
Total recognised gains relating to the year		<u>7,367</u>	<u>89,811</u>

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31 December 2005		31 December 2004	
		£ 000's	£ 000's	£ 000's	£ 000's
FIXED ASSETS					
Tangible assets	5a		-		15
Investments in subsidiary undertakings	5b		<u>897,502</u>		<u>871,488</u>
			897,502		871,503
CURRENT ASSETS					
Debtors	6	585,902		556,954	
Cash at bank and in hand		<u>724</u>		<u>3,463</u>	
		586,626		560,417	
CREDITORS	7	(947,410)		(902,569)	
NET CURRENT (LIABILITIES)			<u>(360,784)</u>		<u>(342,152)</u>
NET ASSETS			<u>536,718</u>		<u>529,351</u>
CAPITAL AND RESERVES					
Called up share capital	8		246,089		246,089
Share premium	9		316		316
Revaluation reserve	9		132,212		68,815
Profit and loss account	9		<u>158,101</u>		<u>214,131</u>
EQUITY SHAREHOLDERS' FUNDS	10		<u>536,718</u>		<u>529,351</u>

These financial statements were approved by the Board of Directors on 29 March 2007 and signed on its behalf by



Runar Nilsen
Director

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The adoption of FRS 21 and FRS 25 has not had a material effect on the current year or prior year financial statements

a) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain fixed assets

b) Basis of preparation

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

As explained in the Directors' Report, the Company and its subsidiaries are engaged in a work out process. By the nature of this process, following the completion of remaining contractual obligations and the resolution of legacy issues it is intended that the Company and its subsidiaries will be liquidated or dissolved

c) Cash flow statement and related party transactions

The company has taken advantage of the exemption under FRS 1 not to produce a cash flow statement, and the exemption under the rules of FRS 8 not to disclose related party transactions with members of the same group, on the grounds that the company is included

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

c) Cash flow statement and related party transactions (continued)

in the consolidated financial statements of a parent undertaking which accounts are publicly available

The Company has related party relationships with directors of its ultimate and intermediate parent undertakings. No transactions took place during 2005 between the Company and these related parties

d) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Exchange differences on investments and matched foreign exchange balances and transactions are taken to reserves. All other exchange differences are taken to the profit and loss account.

e) Fixed asset investments

Investments, including shares in associated and subsidiary undertakings, are revalued annually to their net asset value. Where the value of the investment has fallen below zero a provision for those additional external liabilities for which the company is liable is made.

f) Tangible fixed assets and depreciation

Freehold property is included in fixed assets at latest valuation plus subsequent additions at cost. Provision for impairment below carrying value is charged to the profit and loss account.

g) Taxation

The charge for taxation is based on the profit for the year.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

1 Profit on ordinary activities before taxation

	2005	2004
	£ 000's	£ 000's
The profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit fee to be borne by the company	3	-
Exchange loss	-	54

2 Directors emoluments and employee costs

The Company had no employees during either year. None of the directors received any emoluments from the Company (2004 £nil)

3 Interest receivable and similar income

	2005	2004
	£ 000's	£ 000's
Interest receivable from fellow subsidiary undertakings	26,832	21,741
Other interest receivable	<u>81</u>	<u>75</u>
	<u>26,913</u>	<u>21,816</u>
Interest payable and similar charges		
Interest payable to group undertakings	(45,748)	-
Other interest payable	<u>(1)</u>	<u>(74)</u>
	<u>(45,749)</u>	<u>(74)</u>

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

4 Taxation

Analysis of the tax charge in the year

	2005 £ 000's	2004 £ 000's
Foreign tax on profits for the year	-	<u>315</u>
	<u>-</u>	<u>315</u>

There is no potential un-provided liability to deferred taxation (2004 £nil)

Factors affecting the current tax charge

The tax assessed for the year is higher (2004 lower) than the standard rate of corporation tax in the UK. The differences are as follows

	2005 £ 000's	2004 £ 000's
(Loss)/profit on ordinary activities before taxation	<u>(56,030)</u>	<u>21,326</u>
Taxation charge at UK corporation tax rate of 30% (2004 30%)	(16,809)	6,398
Effects of		
Group relief for which no payment is made	5,651	(1,408)
Capital allowances in excess of depreciation	-	(8)
Expenditure not deductible for tax	15,858	-
Non-taxable income	(4,700)	(4,667)
Current tax charge per accounts	<u>-</u>	<u>315</u>

Factors affecting future tax charges

It is anticipated that any future taxable income in this company will be sheltered from tax by utilisation of group relief from other Group companies, and, where possible, the use of the Group's tax losses arising in prior years. At the 31 December 2004, the TH Global plc (formerly Kvaerner PLC) UK tax group has brought forward tax losses estimated at £230 million and surplus ACT of approximately £192 million.

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

5 Fixed Assets

• 5(a) Tangible fixed assets

	Land and buildings freehold £000s
Cost or valuation	
At 1 January 2005	15
Disposal during the year	<u>(15)</u>
At 31 December 2005	<u>-</u>
Net book value	
At 1 January 2005	<u>15</u>
At 31 December 2005	<u>-</u>

The company's freehold property was sold during the year at an amount in excess of book value

5(b) Investments in subsidiary undertakings

The company's investments in subsidiary undertakings are made up as follows -

	Cost £ 000's	Provision For Impairment £ 000's	Revaluation Reserve £ 000's	Net Book Value £ 000's
1 January 2005	903,746	(101,058)	68,800	871,488
Additions	-	-	-	-
Amounts provided during the year	-	(37,383)	-	(37,383)
Revaluations during the year	<u>-</u>	<u>-</u>	<u>63,397</u>	<u>63,397</u>
31 December 2005	<u>903,746</u>	<u>(138,441)</u>	<u>132,197</u>	<u>897,502</u>

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

5(b) Investments in subsidiary undertakings (continued)

Principal subsidiary undertakings are listed below All are wholly owned subsidiary undertakings

Name of Undertaking	Class of Shares	Activity	Country of incorporation
Fitzgeorge June (1) Limited*+	Ordinary	Leasing	England
Fitzgeorge September (2) Limited*+	Ordinary	Leasing	England
Fitzgeorge December (5) Limited*+	Ordinary	Leasing	England
TH Group Services Limited (formerly Kvaerner Services Limited)	Ordinary	Investment holding company and intra-group administration services	England
+ subsequent to the year end, sold to a third party at amounts in excess of carrying value			

* indirect subsidiaries

6 Debtors

	2005 £ 000's	2004 £ 000's
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	17,050	17,050
Amounts owed by fellow subsidiary undertakings	568,659	539,828
Other debtors	<u>193</u>	<u>76</u>
Total debtors	<u>585,902</u>	<u>556,954</u>

7 Creditors:

	2005 £ 000's	2004 £ 000's
Amounts falling due within one year		
Amount owing to immediate parent undertaking	838,876	793,128
Amounts due to fellow subsidiary undertakings	105,241	106,128
Taxation	2	2
Other creditors including sundry taxes	3,177	3,205
Accruals and deferred income	<u>114</u>	<u>106</u>
Total creditors	<u>947,410</u>	<u>902,569</u>

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

8 Called up share capital

	2005 £ 000's	2004 £ 000's
Authorised		
1,000,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>
	2005 £ 000's	2004 £ 000's
Allotted, called up and fully paid		
984,355,148 (2003 744,355,148) ordinary shares of 25p	<u>246,089</u>	<u>246,089</u>

9 Reserves

	Profit and Loss Account £ 000's	Revaluation Reserve £000's	Share Premium £ 000's	Total £ 000's
As at 1 January 2005	214,131	68,815	316	283,262
Retained (loss)/profit for the year	(56,030)	-	-	(56,030)
Revaluation of subsidiary undertakings	<u>-</u>	<u>63,397</u>	<u>-</u>	<u>63,397</u>
As at 31 December 2005	<u>158,101</u>	<u>132,212</u>	<u>316</u>	<u>290,629</u>

10 Reconciliation of movement in shareholders' funds

	2005 £ 000's	2004 £ 000's
(Loss)/profit for the year	(56,030)	21,011
Recognised gains in the year	63,397	68,800
Share capital injection	<u>-</u>	<u>60,000</u>
Net increase in shareholder's funds	7,367	149,811
Opening shareholders' funds	<u>529,351</u>	<u>379,540</u>
Closing shareholders' funds	<u>536,718</u>	<u>529,351</u>

KVAERNER E&C HOLDINGS LIMITED (formerly Kvaerner E&C PLC)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)**

11 Ultimate parent company and controlling party

The Company's immediate parent company is Trafalgar House Property Limited

The smallest group in which they are consolidated is that headed by TH Global plc (formerly Kvaerner PLC), incorporated in England and Wales. The consolidated financial statements of TH Global plc are available to the public and may be obtained from Companies House and/or TH Global plc at 68 Hammersmith Road, London W14 8YW.

The largest group in which the results of the company are consolidated is that headed by Medaura BV, a private company incorporated in The Netherlands. The consolidated financial statements of Medaura BV are available to the public and may be obtained from the Chamber of Commerce Kamer van Koophandel, De Ruterkade 5, 1013 AA Amsterdam, The Netherlands or from the company at 68 Hammersmith Road, London W14 8YW.

The Glacier Trust, established under the laws of Guernsey, is to be regarded as the ultimate controlling party of the Company.