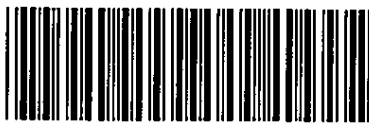


KVAERNER E&C HOLDINGS LIMITED

Company Number: 00001125

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

WEDNESDAY



A6S8EYJB

A21

02/04/2008

144

COMPANIES HOUSE

KVAERNER E&C HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND PROSPECTS

The Company is an investment and holding company

The Company is a member of the TH Global group of companies which group is engaged in a work-out process. The work-out is a financial and organisational restructuring aimed at (i) achieving viable long-term solutions for its remaining businesses and (ii) resolving outstanding disputes and liabilities, in a manner satisfactory to creditors and shareholders.

By the nature of the activity and purpose of the TH Global group as a work out, neither the Company nor its subsidiaries operate or control any business activities other than to resolve outstanding disputes, liabilities and legacy issues and realise investments. The Directors of the Company and its subsidiaries seek legally and financially viable and adequate solutions to the legacy issues facing the Company.

The Directors consider that the Company will continue in legal existence for the foreseeable future to resolve liabilities and legacy issues. Pursuant to the objectives of the work out described above, following the realisation of its assets and the discharge of its liabilities and legacy issues it is intended that the Company will be liquidated or dissolved.

FINANCIAL STATEMENTS AND DIVIDEND

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

The audited financial statements have been prepared on a basis other than the going concern basis.

The results for the year are set out in the Profit and Loss account on page 6. The loss for the year was £17,852,000 (2005: £56,030,000).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2006 (2005: £ nil) and no dividend has been paid or declared since the end of the previous financial year.

KVAERNER E&C HOLDINGS LIMITED
DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who held office throughout the year were

Rufus Laycock
Anders Misund
Runar Nilsen

Anders Misund resigned from the Board on 31 August 2007

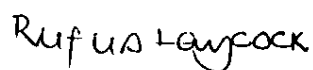
DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

AUDITOR

KPMG Audit Plc has signified its willingness to continue in office

By order of the Board,



Rufus Laycock
Secretary

Date 19 March 2008

Registered office
68 Hammersmith Road,
London W14 8YW

KVAERNER E&C HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

There financial statements have been prepared on a basis other than the going concern basis

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

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 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have not been prepared on the going concern basis for the reason set out in Note 1 to the Financial Statements but 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 3.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KVAERNER E&C HOLDINGS LIMITED *(continued)*

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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

EMPHASIS OF MATTER – RECOVERABILITY OF INTER-COMPANY BALANCES

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the Financial Statements concerning the uncertainty in relation to the recovery of inter-company balances. The amount that might ultimately be recovered cannot presently be determined, and no provision has been made in the financial statements against the gross amount receivable.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 Salisbury Square

London EC4Y 8BB

20 March 2007

KVAERNER E&C HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31 December 2006 £ 000's	Year ended 31 December 2005 £ 000's
Other operating expenses		<u>2,198</u>	<u>(3)</u>
Operating profit/(loss)		2,198	(3)
(Loss)/profit on sale of fixed assets		(5)	105
Income from shares in group undertakings		-	87
Amounts written off investments in subsidiary undertakings		-	(37,383)
Release of provision on investments in subsidiary undertakings	5	153	-
Interest receivable and similar income	3	28,076	26,913
Interest payable and similar charges	3	(48,274)	(45,749)
Loss on ordinary activities before taxation	2	<u>(17,852)</u>	<u>(56,030)</u>
Tax on loss on ordinary activities	4	-	-
Retained loss for the financial year	9	<u>(17,852)</u>	<u>(56,030)</u>

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

KVAERNER E&C HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31 December 2006 £ 000's	Year ended 31 December 2005 £ 000's
Loss for the financial year		(17,852)	(56,030)
Revaluation of subsidiary undertakings	5	-	63,397
Total recognised (losses)/gains relating to the year		<u>(17,852)</u>	<u>7,367</u>

KVAERNER E&C HOLDINGS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	31 December 2006		31 December 2005	
		£ 000's	£ 000's	£ 000's	£ 000's
FIXED ASSETS					
Investments in subsidiary undertakings	5		896,140		897,502
CURRENT ASSETS					
Debtors	6	655,423		585,902	
Cash at bank and in hand		<u>1,050</u>		<u>724</u>	
			656,473		586,626
CREDITORS	7		<u>(1,033,747)</u>		<u>(947,410)</u>
NET CURRENT (LIABILITIES)			<u>(377,274)</u>		<u>(360,784)</u>
NET ASSETS			<u>518,866</u>		<u>536,718</u>
CAPITAL AND RESERVES					
Called up share capital	8		246,089		246,089
Share premium	9		316		316
Revaluation reserve	9		132,197		132,212
Profit and loss account	9		<u>140,264</u>		<u>158,101</u>
EQUITY SHAREHOLDERS' FUNDS	10		<u>518,866</u>		<u>536,718</u>

These financial statements were approved by the Board of Directors on 19 March 2008 and signed on its behalf by

Rufus Laycock

Rufus Laycock
Director

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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

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 financial statements have been prepared on a basis other than the going concern basis

The Company is a member of the TH Global group of companies which group is engaged in a work-out process. The work-out is a financial and organisational restructuring aimed at (i) achieving viable long-term solutions for its remaining businesses and (ii) resolving outstanding disputes and liabilities, in a manner satisfactory to creditors and shareholders

The Directors consider that the Company will continue in legal existence for the foreseeable future to resolve liabilities and legacy issues. Pursuant to the objectives of the work out described above, following the realisation of its assets and the discharge of its liabilities and legacy issues it is intended that the Company will be liquidated or dissolved

However, notwithstanding their belief that the Company will continue in legal existence for more than 12 months, the Directors, given the circumstances and objectives of the Company and, most particularly, taking account of the net current liabilities position of the Company, consider it appropriate to prepare the financial statements on a basis other than the going concern basis

At the date of approval of these financial statements it is the opinion of the senior management of the TH Global Group that all of the Group's legacy issues and other external liabilities are capable of being resolved and settled out of the funds, cash flows and asset realisations available to them, based on all known factors. There is, however, uncertainty in relation to intercompany balances because of the complex web of intercompany indebtedness subsisting in the Group such that the actual recovery may be significantly less than the reported balance. No provision has been made in the Financial Statements against the amounts receivable except where a group undertaking has a net deficiency of assets. In such cases a provision is made against the lower of the net amount receivable and the deficit

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Accounting Policies, Note 1(b) (Basis of Preparation) (continued)

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.

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 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 2006 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.

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Accounting Policies (continued)

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

2 Loss on ordinary activities before taxation

	2006 £ 000's	2005 £ 000's
The loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit fee to be borne by the company	4	3

The Company had no employees during either year. None of the directors received any emoluments from the Company (2005 £nil)

3 Interest receivable and similar income

	2006 £ 000's	2005 £ 000's
Interest receivable from fellow subsidiary undertakings	28,034	26,832
Other interest receivable	<u>42</u>	<u>81</u>
	<u>28,076</u>	<u>26,913</u>
Interest payable and similar charges		
Interest payable to group undertakings	(48,274)	(45,748)
Other interest payable	<u>-</u>	<u>(1)</u>
	<u>(48,274)</u>	<u>(45,749)</u>

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

4 Tax on profit on ordinary activities

Recognised in the profit and loss account	2006 £ 000's	2005 £ 000's
<i>Current tax expenses</i>		
UK Corporation tax on loss for the year	-	-
Foreign tax on loss for the year	-	-
Total current tax charge	<u>-</u>	<u>-</u>

Factors affecting the current tax charge

The tax assessed for the year is higher (2005 higher) than the standard rate of corporation tax in the United Kingdom. The differences are as follows:

	2006 £ 000's	2005 £ 000's
Loss on ordinary activities before taxation	(17,852)	(56,030)
Taxation charge at UK corporation tax rate of 30% (2005 30%)	(5,356)	(16,809)
Effects of:		
Group relief for which no payment is made	6,061	5,651
Expenditure not deductible for tax	11	15,858
Non-taxable income	(716)	(4,700)
Current tax charge and tax on loss on ordinary activities	<u>-</u>	<u>-</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.

The TH Global Limited UK tax group has brought forward tax losses estimated at £215 million and surplus ACT of approximately £192 million.

There is no potential liability to deferred taxation (2005 £nil).

Due to a change in corporate tax rate announced in 2007 budget, the company will be subject to a tax rate of 28% with an effect from 1 April 2008. This has no effect on the company's financial statements and tax position as at 31 December 2006.

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

5 Fixed Assets - 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 2006	903,745	(138,440)	132,197	897,502
Disposals	(5,826)	4,311	-	(1,515)
Release of provision during the year	-	153	-	153
31 December 2006	<u>897,919</u>	<u>(133,976)</u>	<u>132,197</u>	<u>896,140</u>

Principal subsidiary undertaking is listed below This is a wholly owned subsidiary undertaking

Name of Undertaking	Class of Shares	Activity	Country of incorporation
TH Group Services Limited	Ordinary	Investment holding company and intra-group administration services	England

6 Debtors

	2006 £ 000's	2005 £ 000's
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	41,629	17,050
Amounts owed by fellow subsidiary undertakings	613,743	568,659
Other debtors	51	193
Total debtors	<u>655,423</u>	<u>585,902</u>

7 Creditors:

	2006 £ 000's	2005 £ 000's
Amounts falling due within one year		
Amount owing to immediate parent undertaking	950,342	838,876
Amounts due to fellow subsidiary undertakings	82,398	105,241
Taxation	-	2
Other creditors including sundry taxes	940	3,177
Accruals and deferred income	67	114
Total creditors	<u>1,033,747</u>	<u>947,410</u>

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

8 Called up share capital

	2006	2005
	£ 000's	£ 000's
Authorised		
1,000,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>
	2006	2005
	£ 000's	£ 000's
Allotted, called up and fully paid		
984,355,148 (2005 984,355,148) ordinary shares of 25p	<u>246,089</u>	<u>246,089</u>

9 Reserves

	Profit and Loss	Revaluation	Share	Total
	Account	Reserve	Premium	
	£ 000's	£000's	£ 000's	£ 000's
As at 1 January 2006	158,101	132,212	316	290,629
Retained loss for the year	(17,852)	-	-	(17,852)
Transfer from revaluation reserve	15	(15)	-	-
As at 31 December 2006	<u>140,264</u>	<u>132,197</u>	<u>316</u>	<u>272,777</u>

10 Reconciliation of movement in shareholders' funds

	2006	2005
	£ 000's	£ 000's
Loss for the year	(17,852)	(56,030)
Recognised gains in the year	<u>-</u>	<u>63,397</u>
Net (decrease)/increase in shareholder's funds	(17,852)	7,367
Opening shareholders' funds	<u>536,718</u>	<u>529,351</u>
Closing shareholders' funds	<u>518,866</u>	<u>536,718</u>

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

11 Ultimate parent company and ultimate controlling party

The Company's immediate parent company is Trafalgar House Property Limited, incorporated in England and Wales

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 Secretary, TH Global Limited 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