

KVAERNER E&C HOLDINGS LIMITED

Company Number: 1125

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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KVAERNER E&C HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2007

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 and is reducing its operating activities. 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. At the date of approval of these financial statements, the Group has attained its ambition to divest itself of its operating businesses. The Group continues in its other objective to wind up residual liabilities and responsibilities arising out of past activities, transactions, events and circumstances.

Neither the Company nor its subsidiaries operate or control any business activities other than to discharge a range of legacy responsibilities and hold investments in other TH Global Group companies. The primary objective of the Company and its subsidiaries is to wind-up these legacy responsibilities as soon as practicable consistent with obtaining best value for money.

During the year the Directors continued to seek legally and financially viable and adequate solutions to the legacy responsibilities.

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

As a past employer and operator of engineering businesses, the Company is the recipient of claims by former employees alleging that they have suffered bodily injury as a result of industrial diseases caused during the course of the claimant's employment with the Company. These claims do not arise until many years after the relevant employment ceased (- medical conditions may not develop until much later). The Company together with its insurance carriers and outside claims handlers and counsel, review each claim that is pursued by claimants. In those cases where a compensatable disease, exposure during the course of employment and causation can be established by the claimants, the Company's approach is to seek to resolve claims for amounts that reflect the type of disease, the seriousness of the injury, the age of the claimant, the particular jurisdiction of the claim and the number and solvency of other defendants.

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

FINANCIAL STATEMENTS AND DIVIDEND

The audited financial statements appear on pages 6 to 16, 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 £20,190,000 (2006 £17,852,000)

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2007 (2006 £ nil) and no dividend has been paid or declared since the end of the previous financial year

DIRECTORS

The Directors who held office during the year were

Rufus Laycock
Anders Misund (resigned 31 August 2007)
Runar Nilsen

AUDITOR

KPMG Audit Plc has signified its willingness to continue in office

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

By order of the Board,

Rufus Laycock

Rufus Laycock
Secretary

Date 20 October 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 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 2007 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

27 October 2008

KVAERNER E&C HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £ 000's	2006 £ 000's
Other operating expenses		223	2,198
Operating profit		223	2,198
Profit/(loss) on sale of Investment		249	(5)
Dividends receivable		28,004	-
Amounts written off investments in Subsidiary undertakings		(26,356)	-
Release of provision on investments in Subsidiary undertakings		17	153
Interest receivable and similar income	3	37,478	28,076
Interest payable and similar charges	4	(59,805)	(48,274)
Loss on ordinary activities before taxation		(20,190)	(17,852)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year	11	(20,190)	(17,852)

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

The profit and loss account has been prepared on the basis that all operations are discontinued operations

KVAERNER E&C HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £ 000's	2006 £ 000's
Loss for the financial year		(20,190)	(17,852)
Revaluation of subsidiary undertakings		-	-
Total recognised losses relating to the year		<u>(20,190)</u>	<u>(17,852)</u>

KVAERNER E&C HOLDINGS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £ 000's	2006 £ 000's
FIXED ASSETS			
Investments in subsidiary undertakings	6	867,416	896,140
CURRENT ASSETS			
Debtors	7	664,399	655,423
Cash at bank and in hand		<u>393</u>	<u>1,050</u>
		664,792	656,473
CREDITORS	8	<u>(1,032,874)</u>	<u>(1,033,747)</u>
NET CURRENT LIABILITIES		(368,082)	(377,274)
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(658)</u>	=
NET ASSETS		<u>498,676</u>	<u>518,866</u>
CAPITAL AND RESERVES			
Called up share capital	10	246,089	246,089
Share premium	11	316	316
Revaluation reserve	11	112,366	132,197
Profit and loss account	11	<u>139,905</u>	<u>140,264</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>498,676</u>	<u>518,866</u>

These financial statements were approved by the Board of Directors on 20 October 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 2007

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 background and reasons for this basis of preparation are explained below

The Company is a member of the TH Global group of companies which group is engaged in a work-out process and is reducing its operating activities. 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. At the date of approval of these financial statements, the Group has attained its ambition to divest itself of its operating businesses. The Group continues in its other objective to wind up residual liabilities and responsibilities arising out of past activities, transactions, events and circumstances.

The Company does not operate or control any business activities other than to discharge a range of legacy responsibilities and hold investments in other TH Global Group companies. The primary objective of the Company is to wind-up these legacy responsibilities as soon as practicable consistent with obtaining best value for money.

During the year the Directors continued to seek legally and financially viable and adequate solutions to the legacy responsibilities.

The Directors consider that the Company will continue in legal existence for the foreseeable future to wind-up legacy issues. Pursuant to the objectives of the work-out described above, following the realisation of its assets and the discharge of its legacy responsibilities 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.

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

1. Accounting Policies (continued)

b) Basis of Preparation (continued)

At the date of approval of these financial statements Group Management (which body includes Runar Nilsen, a director) consider that it is in the best interests of creditors for there to be a work-out process, involving seeking agreement with creditors in relation to outstanding borrowings, disputes, liabilities and legacy issues and based on their current expectation that the disputes and liabilities are capable of being resolved through a negotiated settlement process out of the funds, cash flows and asset realisations available to them based on all known factors. Management explores a range of appropriate strategic and financial alternatives to achieve its objective, which may include obtaining agreement to compromise indebtedness. Group Management recognises and reports that the work-out is subject to significant uncertainties and risks which could cause actual results to differ materially from those anticipated.

Among the uncertainties, there is 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 in relation to this uncertainty. The carrying values of receivables from Group companies having a net deficiency of assets are assessed individually at year-end and a provision is booked against them where appropriate.

The liquidity of the Group going forward materially depends on the successful continuation and eventual completion of the work-out using the negotiated settlement process to seek agreement with stakeholders in relation to outstanding borrowings, disputes, liabilities and legacy issues.

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 2007 between the Company and these related parties.

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

1. Accounting Policies (continued)

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) Taxation

The charge for taxation is based on the loss 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

The audit fee in respect of the statutory audit of these financial statements was £2,500 (2006 £2,500). This fee has been paid on behalf of the Company by a fellow subsidiary undertaking.

The Company had no employees during either year. None of the directors received any emoluments from the Company (2006 £nil).

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

3. Interest receivable and similar income

	2007 £ 000's	2006 £ 000's
Interest receivable from group undertakings	37,464	28,034
Other interest receivable	14	42
	<u>37,478</u>	<u>28,076</u>

4. Interest payable and similar charges

Interest payable to group undertakings	59,805	48,274
	<u>59,805</u>	<u>48,274</u>

5. Tax on loss on ordinary activities

Recognised in the profit and loss account	2007 £ 000's	2006 £ 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 (2006 higher) than the standard rate of corporation tax in the United Kingdom. The differences are as follows

	2007 £ 000's	2006 £ 000's
Loss on ordinary activities before taxation	<u>(20,190)</u>	<u>(17,852)</u>
Taxation charge at UK corporation tax rate of 30% (2006 30%)	(6,057)	(5,356)
Effects of		
Group relief for which no payment is made	6,617	6,061
Expenditure not deductible for tax	7,921	11
Non-taxable income	(8,481)	(716)
Current tax charge and tax on loss on ordinary activities	<u>-</u>	<u>-</u>

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

5. Tax on loss on ordinary activities (continued)

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 (2006 £nil)

Due to a change in corporate tax rate announced in the 2007 budget, the company will subject to a tax rate of 28% with an effect from 1 April 2008

6. Fixed Assets - Investments in subsidiary undertakings

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

	Cost	Provision For Impairment	Revaluation Reserve	Net Book Value
	£ 000's	£ 000's	£ 000's	£ 000's
1 January 2007	897,919	(133,976)	132,197	896,140
Additions	4,023	-	-	4,023
Disposals	(21,412)	8,519	(19,831)	(32,724)
Provision movement	-	(23)	-	(23)
	<u>880,530</u>	<u>(125,480)</u>	<u>112,366</u>	<u>867,416</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

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

7. Debtors

	2007 £ 000's	2006 £ 000's
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	-	41,629
Amounts owed by fellow subsidiary undertakings	664,355	613,743
Other debtors	44	51
Total debtors	<u>664,399</u>	<u>655,423</u>

8. Creditors

	2007 £ 000's	2006 £ 000's
Amounts falling due within one year		
Amount owing to immediate parent undertaking	978,936	950,342
Amounts due to fellow subsidiary undertakings	53,933	82,398
Other creditors including sundry taxes	3	940
Accruals & deferred Income	2	67
Total creditors	<u>1,032,874</u>	<u>1,033,747</u>

9. Provision for liabilities and charges

	£000
At 1 January 2007	-
Created during the year	658
At 31 December 2007	<u>658</u>

The provision represents the anticipated costs of winding-up the legacy responsibilities of the Company

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

9. Provision for liabilities and charges (continued)

Contingent Liability

As a past employer and operator of engineering businesses, the Company is the recipient of industrial injury and disease claims submitted by former employees. On the various legal and financial restructurings which occurred in the former Kvaerner group the Company retained responsibility in the great majority of cases for industrial injury and disease claims resulting from its former activities. Claims do not arise until many years after the relevant employment ceased (medical conditions may not develop until much later). The nature of these industrial diseases – their causation, progress and latency periods, is such that it is neither possible to know with any certainty the timing of the submission of claims nor to measure with any reliability the number of future claims and the cost of settlement. The Company provides for the anticipated settlement costs and associated expenses arising from the claims where a reasonable estimate can be made of the probable outcome of the claim. Where it is not possible to make a reasonable estimate, no provision is made. No provision is made in respect of claims not yet received and verified. The future receipt and settlement of these claims could result in additional liabilities.

10. Called up share capital

	2007	2006
	£ 000's	£ 000's
Authorised		
1,000,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>
	2007	2006
	£ 000's	£ 000's
Allotted, called up and fully paid		
984,355,148 ordinary shares of 25p	<u>246,089</u>	<u>246,089</u>

11. Reserves

	Profit and Loss	Revaluation	Share	
	Account	Reserve	Premium	Total
	£ 000's	£000's	£ 000's	£ 000's
As at 1 January 2007	140,264	132,197	316	272,777
Retained loss for the year	(20,190)	-	-	(20,190)
Transfer from revaluation reserve	19,831	(19,831)	-	-
As at 31 December 2007	<u>139,905</u>	<u>112,366</u>	<u>316</u>	<u>252,587</u>

KVAERNER E&C HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

12. Reconciliation of movement in shareholders' funds

	2007 £ 000's	2006 £ 000's
Loss for the year	(20,190)	(17,852)
Recognised gains in the year	<u>-</u>	<u>-</u>
Net decrease in shareholder's funds	(20,190)	(17,852)
Opening shareholders' funds	<u>518,866</u>	<u>536,718</u>
Closing shareholders' funds	<u>498,676</u>	<u>518,866</u>

13. 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 and smallest 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