

KVAERNER E&C PLC
Company Number 1125

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 DECEMBER 2003



KVAERNER E&C PLC

DIRECTORS' REPORT

The directors have pleasure in submitting their Annual Report and Audited Financial Statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The company is an investment holding company.

RESULTS

The results for the year are set out in the Profit and Loss account on page 6. The profit/(loss) for the year after taxation was £111,328,000 (2002: (£7,453,000) loss).

DIVIDENDS

The directors do not propose to recommend the payment of an ordinary dividend for the year ended 31 December 2003 (2002: £7,307,000).

DIRECTORS

The following persons were directors of the company during the period:-

P C Bond (resigned 16 June 2003)
K N Henry (resigned 25 June 2003)
T Ramstad (appointed 12 June 2003)
O-K Sivertsen (appointed 12 June 2003)
J Tautra (appointed 12 June 2003)
J C Wilson (resigned 30 June 2003)

DIRECTORS' SHARE INTERESTS

No director had any interest in the shares of the company. No rights to subscribe for shares of the company were granted to any of the directors or their immediate families, during the financial year.

POLITICAL & CHARITABLE CONTRIBUTIONS

The company made no political or charitable contributions during the financial year.

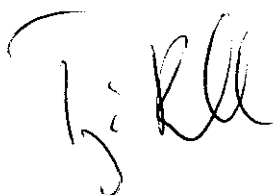
KVAERNER E&C PLC

DIRECTORS' REPORT (continued)

AUDITORS

KPMG Audit Plc have signed their willingness to continue in office, and, in accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Director/Secretary
T Ramstad

Registered office:
68 Hammersmith Road
London W14 8YW

26 October 2004

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 as at the end of the financial period and of the profit or loss of the company 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KVAERNER E&C PLC

INDEPENDENT AUDITORS' REPORT

To the Members of Kvaerner E&C Plc

We have audited the financial statements on pages 6 to 16.

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 are responsible for the preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the accounts 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 accounts 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.

KVAERNER E&C PLC

INDEPENDENT AUDITORS' REPORT

To the Members of Kvaerner E&C Plc (continued)

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit 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
8 Salisbury Square
London EC4Y 8BB

28 October 2004

KVAERNER E&C PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	Year ended 31 December 2003 £ 000's	Year ended 31 December 2002 £ 000's
Other operating expense	2	<u>(1,303)</u>	<u>(17,981)</u>
Loss on ordinary activities before interest	3	(1,303)	(17,981)
Profit/(loss) on sale of subsidiary undertakings		101,004	-
Interest receivable and similar income	5	11,627	11,297
Profit/(loss) on ordinary activities before taxation		<u>111,328</u>	<u>(6,684)</u>
Tax on profit/(loss) on ordinary activities	6	(-)	(769)
Profit/(loss) for the financial year	13,14	<u>111,328</u>	<u>(7,453)</u>
Dividends			
Received from subsidiary undertakings		-	90,000
Paid		-	(7,307)
Retained profit for the financial year		<u>111,328</u>	<u>75,240</u>

The notes on pages 8 to 16 form part of these accounts.

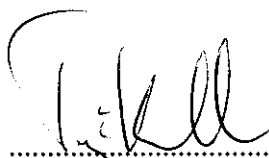
KVAERNER E&C PLC

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	31 December 2003		31 December 2002	
		£ 000's	£ 000's	£ 000's	£ 000's
FIXED ASSETS					
Tangible Assets	7a		15		15
Investments in Subsidiary Undertakings	7b		<u>11,396</u>		<u>93,235</u>
			11,411		93,250
CURRENT ASSETS					
Cash at bank and in hand		1,682		5,679	
Debtors	8	<u>529,727</u>		<u>331,899</u>	
		531,409		337,578	
CREDITORS: Amounts falling due within one year					
Borrowings	9	-		(1,615)	
Other creditors	10	<u>163,280</u>		<u>(161,001)</u>	
NET CURRENT ASSETS			<u>368,129</u>		<u>174,962</u>
Total Assets Less Current Liabilities			<u>379,540</u>		<u>268,212</u>
NET ASSETS			<u>379,540</u>		<u>268,212</u>
CAPITAL AND RESERVES					
Called up equity share capital	11		186,089		186,089
Share Premium	13		316		316
Revaluation reserve	13		15		15
Profit and loss account	13		<u>193,120</u>		<u>81,792</u>
SHAREHOLDERS' FUNDS	14		<u>379,540</u>		<u>268,212</u>

The notes on pages 8 to 16 form part of these accounts.

These financial statements were approved by the Board of Directors on 26/10/2004 and signed on its behalf by:



 T. Remstad

Director

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2003**

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' in these financial statements. The comparative figures have been restated accordingly. This does not have a material effect on prior year balances.

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.

c) Cash flow statement and related party transactions

The company has taken advantage of the exemption under the rules of FRS1 (revised) not to produce a cash flow statement, and under the rules of FRS8 not to disclose related party transactions with other Kvaerner companies. The company is a wholly owned subsidiary of Kvaerner ASA, which publishes consolidated accounts, containing the company's results which are publicly available.

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 stated at their net asset value. Where the value of the investment has fallen below zero a provision for external liabilities, for which the company is liable, has been made.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

1. Accounting Policies (continued)

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 its carrying value is charged to the profit and loss account.

For other fixed assets, depreciation is provided on a straight line basis over anticipated lives (normally 3 to 10 years).

g) Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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. Other operating expense

	2003	2002
	£ 000's	£ 000's
Operating expenses	(6,308)	(10,288)
Management charge income	5,005	8,985
Provision for impairment in value of subsidiaries	<u>-</u>	<u>(16,678)</u>
	<u>(1,303)</u>	<u>(17,981)</u>

3. Loss on ordinary activities before interest

	2003	2002
	£ 000's	£ 000's
The loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration - audit fees	25	49
Depreciation of tangible fixed assets - owned	-	30
Exchange loss	40	15

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

4. Directors emoluments and employee costs

	2003 £ 000's	2002 £ 000's
The emoluments of the directors of the company were:		
Emoluments	—	<u>991</u>
Emoluments of the highest paid director:		
Basic emoluments	—	<u>808</u>

Pensions

The number of directors who were members of defined benefit pension schemes was 1 (2002, 2). The amount of accrued pension at the year end of the highest paid director was £Nil (31 December 2002, £Nil).

	2003 £ 000's	2002 £ 000's
Other information on directors and employees:		
Director and employee costs:		
Wages and salaries	150	2,594
Social security costs	15	143
Employers' pension contributions	<u>13</u>	<u>151</u>
	<u>178</u>	<u>2,888</u>
	2003 Number	2002 Number
Average monthly number of persons employed by the company (including executive directors):	<u>1</u>	<u>32</u>

5. Interest receivable and similar income

	2003 £ 000's	2002 £ 000's
Interest receivable from fellow subsidiary undertakings	11,576	11,245
Other interest receivable	<u>118</u>	<u>195</u>
	11,694	11,440
Interest payable to fellow subsidiary undertakings	-	(55)
Interest payable on other loans	<u>(67)</u>	<u>(88)</u>
	<u>11,627</u>	<u>11,297</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

6. Taxation

Analysis of the tax charge in the year

	2003 £ 000's	2002 £ 000's
UK prior year tax	-	660
Foreign tax on profits for the years	<u>-</u>	<u>109</u>
	<u>-</u>	<u>769</u>

There is no potential unprovided liability to deferred taxation.

Factors affecting the current tax charge

The tax assessed for the year is lower (2002: higher) than the standard rate of corporation tax in the UK. The differences are as follows:

	2003 £ 000's	2002 £ 000's
Profit/(loss) on ordinary activities before taxation	<u>111,328</u>	<u>(6,684)</u>
Taxation charge at UK corporation tax rate of 30% (2002: 30%)	33,398	2,005
Effects of:		
Group relief for which no payment is made	(3,088)	3,071
Capital allowances in excess of depreciation	(10)	-
Expenditure not deductible for tax	1	(5,195)
Non-taxable income	(16,125)	-
Adjustments in respect of prior years	-	(660)
Other	<u>(14,176)</u>	<u>10</u>
Actual tax charge per accounts	<u>-</u>	<u>(769)</u>

Factors affecting future tax charges

It is anticipated that any future taxable income in this company will be sheltered 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 Aker Kvaerner PLC UK tax group has brought forward tax losses estimated at £230million and surplus ACT of approximately £194 million.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

7. Fixed Asset Investments

7(a) Tangible fixed assets

	Total	Land and buildings freehold	Plant and machinery
	£ 000's	£ 000's	£ 000's
Cost or valuation:			
1 January 2003	15	15	-
Addition	-	-	-
Disposals	-	-	-
31 December 2003	<u>15</u>	<u>15</u>	<u>-</u>
Depreciation:			
1 January 2003	-	-	-
Additions	-	-	-
Disposals	-	-	-
31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:			
31 December 2003	<u>15</u>	<u>15</u>	<u>-</u>
1 January 2003	<u>15</u>	<u>15</u>	<u>-</u>

7(b). Investments in Subsidiary Undertakings

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

	Cost	Provision For Impairment	Net Book Value
	£ 000's	£ 000's	£ 000's
1 January 2003	192,457	(99,222)	93,235
Additions	-	-	-
Disposals	(81,839)	-	(81,839)
31 December 2003	<u>110,618</u>	<u>(99,222)</u>	<u>11,396</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

7(b). Investments in Subsidiary Undertakings (continued)

Principal subsidiary undertakings are listed below. All are wholly owned, unless stated otherwise and carry on their activities principally in the country of their incorporation.

Name of Undertaking	Class of Shares	Main Activity	Country of Incorporation
Crawford & Russell International Limited	Ordinary	Engineering	England
Kvaerner Heurtey (UK) Limited (65.64%)	Ordinary	Engineering	England
Ellayess Limited	Ordinary	Employment agency	England

During the year the Company sold Aker Kvaerner Projects Ltd and Kvaerner Process Overseas Holdings Limited to another group company of Aker Kvaerner.

8. Debtors

	2003 £ 000's	2002 £ 000's
Amounts falling due within one year:		
Other debtors	268	323
Amounts owed by subsidiary undertakings	22,605	22,386
Amounts owed by fellow subsidiary undertakings	<u>506,854</u>	<u>309,190</u>
Total debtors	<u>529,727</u>	<u>331,899</u>

9. Borrowings: Amounts falling due within one year

	2003 £ 000's	2002 £ 000's
5 5/8% secured loan stock 2003	-	1,331
4 7/8% secured loan stock 2003	<u>-</u>	<u>284</u>
Total creditors	<u>-</u>	<u>1,615</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

10. Creditors: Amounts falling due within one year

	2003	2002
	£ 000's	£ 000's
Accruals and deferred income	63	1,306
Other creditors including sundry taxes	3,561	3,948
Taxation	2	5
Amount owing to immediate parent undertaking	-	113,541
Amounts due to fellow subsidiary undertakings	<u>159,654</u>	<u>42,201</u>
Total creditors	<u>163,280</u>	<u>161,001</u>

11. Called up equity Share Capital

	2003	2002
	£ 000's	£ 000's
Authorised		
1,000,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
744,355,148 ordinary shares of 25p each	<u>186,089</u>	<u>186,089</u>

12. Contingent Liability

The Company and its UK subsidiaries have given floating charges over their undertakings, assets and property in respect of the Company's issues of:

5 5/8% Secured Loan Stock 2003	£1,330,511
4 7/8% Secured Loan Stock 2003	£284,272

Final redemption of the loan stocks took place on 30th September 2003.

The company has contingent liabilities under joint and several guarantees given to the bankers in support of the borrowings of other group companies party to the memorandum and joint bank accounts of which the company is a member.

It is not expected that any unprovided liability will arise under the above transaction.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

13. Reserves

	Profit and Loss Account £ 000's	Revaluation Reserve £000's	Share Premium £ 000's	Total £ 000's
As at 1 January 2003	81,792	15	316	82,123
Retained profit for the year	111,328	-	-	111,328
Revaluation realised in year	-	-	-	-
Revaluation of subsidiary undertakings	-	-	-	-
As at 31 December	<u>193,120</u>	<u>15</u>	<u>316</u>	<u>193,451</u>

14. Reconciliation of movement in shareholders' funds

	2003 £ 000's	2002 £ 000's
Profit/(loss) for the year	111,328	(7,453)
Dividends	-	82,693
Recognised gains and losses in the year	-	-
Net decrease in shareholders funds	<u>111,328</u>	<u>75,240</u>
Opening Shareholders' funds	<u>268,212</u>	<u>192,972</u>
Closing Shareholders' funds	<u>279,540</u>	<u>268,212</u>

15. Ultimate parent undertaking

The ultimate parent company at 31 December 2003 was Kværner ASA (formerly Aker Kværner ASA), a company incorporated in Norway, which heads the largest group in which the results of the Company are consolidated. Subsequent to the year-end the largest investor in Kværner ASA acquired additional shares in that company with the consequence that at the date of approval of these financial statements TRG AS, a company incorporated in Norway, is to be regarded as the Company's ultimate parent company.

Aker Kvaerner plc, a company registered in England and Wales, heads the smallest group in which the results of the company are consolidated.

Copies of the financial statements of Kværner ASA and Aker Kvaerner plc can be obtained from the Company Secretary's office at Kvaerner House, 68 Hammersmith Road, London W14 8YW.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

16. Related Parties

The company has taken advantage of the exemption under the rules of FRS 8 not to disclose related party transactions with other members of the Kvaerner ASA group as it is a wholly owned subsidiary undertaking.

The company is controlled by Aker Kvaerner Plc, a company registered in England and Wales, who own 100% of the issued share capital. The ultimate controlling party is Kvaerner ASA.