

**KVAERNER E&C HOLDINGS LIMITED**

**Company Number: 1125**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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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 2009

#### **ACTIVITIES AND PROSPECTS**

The Company is an investment holding company

The Company is a member of the TH Global group of companies which 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 the best interest of creditors and shareholders under the existing circumstances. The Group has divested 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.

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. The Company is also the recipient of claims under indemnity and other arrangements with third parties and certain former subsidiaries. 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 and/or indemnitees. 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 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 profit for the year was £75,249,000 (2008 £21,935,000)

**DIRECTORS**

The Directors who held office throughout the year were

Rufus Laycock  
Runar Nilsen

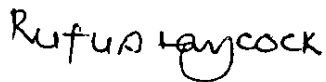
**DISCLOSURE OF INFORMATION TO AUDITORS**

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**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board,



Rufus Laycock  
*Director and Secretary*

*Registered office*  
Surrey House,  
36-44 High Street  
Red hill, Surrey  
RH1 1RH

Date 26 October 2010

**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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2009 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – uncertainty regarding the recovery of inter-company receivables**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty regarding the recovery of inter-company receivables. The TH Global Group is in process of actively seeking settlement of significant liabilities within an expected range and timing, closure of claims as estimated and disposing of its remaining assets. The outcome of this process is subject to material uncertainties in terms of timing and amount which may adversely affect the Group's cash flows in the foreseeable future if actual results were to differ materially from those anticipated. The Company has net current liabilities, which include significant inter-company receivables, the full recovery of which is uncertain due in part to the uncertainty regarding the settlement of the counterparty's obligations, and inter-company payables which are due on demand. These conditions, along with the other matters explained in the Basis of Preparation in note 1 to the financial statements, indicate the existence of a material uncertainty in relation to the recovery of inter-company receivables. The financial statements do not include any adjustments that would result if the inter-company balances were not recoverable.

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

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Mike Maloney (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit Plc,**

**Statutory Auditor**

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

Date 26 October 2010

**KVAERNER E&C HOLDINGS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £ 000's	2008 £ 000's
Other operating income		329	2,066
Release of impairment of investments		<u>74,694</u>	<u>-</u>
<b>Operating profit</b>	2	75,023	2,066
Dividends receivable		-	34,553
Amounts written off investments in Subsidiary undertakings		-	(16,641)
Interest receivable and similar income	3	226	1,957
<b>Profit on ordinary activities before taxation</b>		<u>75,249</u>	<u>21,935</u>
Tax on profit on ordinary activities	5	-	-
<b>Retained profit for the financial year</b>	11	<u>75,249</u>	<u>21,935</u>

The notes on pages 8 to 15 form part of these financial statements

The company has no recognised gains or losses other than the profit for the current and prior years  
Accordingly a statement of total recognised gains and losses has not been prepared

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

The profit and loss account has been prepared in the context of the work-out of the Company Further disclosure about the work-out and the basis of preparation of these financial statements is to be found in Note 1 of the Notes to the Financial Statements

**KVAERNER E&C HOLDINGS LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2009**

	Notes	2009 £ 000's	2008 £ 000's
<b>FIXED ASSETS</b>			
Investments in subsidiary undertakings	6	792,959	850,065
<b>CURRENT ASSETS</b>			
Debtors	7	618,381	834,209
Cash at bank and in hand		<u>1,339</u>	<u>1,416</u>
		619,720	835,625
<b>CREDITORS</b>	8	<u>(816,054)</u>	<u>(1,163,922)</u>
<b>NET CURRENT LIABILITIES</b>		(196,334)	(328,297)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	9	<u>(765)</u>	<u>(1,157)</u>
<b>NET ASSETS</b>		<u>595,860</u>	<u>520,611</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	246,089	246,089
Share premium	11	316	316
Revaluation reserve	11	96,410	112,366
Profit and loss account	11	<u>253,045</u>	<u>161,840</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12	<u>595,860</u>	<u>520,611</u>

The notes on pages 8 to 15 form part of these financial statements

These financial statements were approved by the Board of Directors on 26 October 2010 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 2009**

**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 not been prepared on the going concern basis

The Company is engaged in a work-out process together with the other members of the TH Global Group. The purpose and activity of the work-out is explained in the Directors' Report

At the date of approval of these financial statements it is the opinion of the Directors of the Company that it is in the best interests of creditors of the Company 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 the current expectation that the disputes and liabilities are capable of being resolved through a negotiated settlement process out of the funds, cash flows and assets realisations available based on all known factors. The Directors explore a range of appropriate strategic and financial alternatives to achieve the Company's objectives, which may include obtaining agreement to compromise indebtedness.

The Directors of the Company recognise and report that the work-out is subject to significant issues indicating material uncertainties and risks which may cause significant doubt on the Group's ability to continue as a going concern for the foreseeable future if actual results were to differ materially from those anticipated. These uncertainties relate to

- whether the outcome of a number of existing claims including industrial disease compensation claims (incurred and incurred but not reported) and overseas taxation claims will be as estimated,
- whether the settlement consideration in relation to the Group's outstanding liabilities will be within the expected range and timing, and
- whether the actual consideration received upon disposal of the remaining Group's assets will be as estimated

**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**1. Accounting Policies (continued)**

In preparing these financial statements, the Directors have taken into account Group Management's best estimates to forecast cash movements over the next 12 months from the date of these accounts. These estimates and forecasts indicate that the Group has the ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. However, these estimates are based on assumptions including values and timing of expected liabilities settlement, claims outcome and assets disposal and therefore subject to the material uncertainties aforementioned. The going concern assessment did not consider the period beyond 12 months from the date of signing of the financial statements and whether the Group would continue to be in a position where it could continue to pay (or resolve through negotiated settlement) its liabilities as they fall due.

Given the above, there is a material uncertainty in relation to intercompany balances because of the complex web of intercompany indebtedness subsisting in the TH Global Group such that the actual recovery may be significantly less than the reported balance in part due to the uncertainty regarding the settlement of the Group's obligations. 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.

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 2009 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.

**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**1. Accounting Policies (continued)**

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, no provision is made for any deficit.

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. Operating profit**

The audit fee in respect of the statutory audit of these financial statements was £2,652 (2008 £2,575). This fee has been paid on behalf of the Company by a fellow subsidiary undertaking.

The Company had no employees during either year. Neither of the directors received any emoluments from the Company (2008: £nil).

**3 Interest receivable and similar income**

	2009 £ 000's	2008 £ 000's
Interest receivable from group undertakings	199	1,932
Other interest receivable	27	25
	<u>226</u>	<u>1,957</u>

**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**4. Inter-company interest**

With effect from 1 January 2008, UK subsidiaries within the TH Global Group including the Company stopped charging interest (where interest was previously charged) on UK to UK inter-company debt and UK to UK inter-company account receivables with certain limited exceptions. This change in approach in the compensation for UK to UK inter-company financial transactions has been made in recognition of, and to assist with, the work-out of the Group.

**5. Tax on profit on ordinary activities**

<b>Recognised in the profit and loss account</b>	<b>2009 £ 000's</b>	<b>2008 £ 000's</b>
<i>Current tax expenses</i>		
UK Corporation tax on profit for the year	-	-
Foreign tax on profit for the year	<u>          </u>	<u>          </u>
Total current tax charge	<u>          </u>	<u>          </u>

**Factors affecting the current tax charge**

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 £301 million, capital losses of £538 million and surplus ACT of approximately £159 million.

There is no potential liability to deferred taxation (2008 £nil)

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**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**5. Tax on profit on ordinary activities (continued)**

The tax assessed for the year is lower (2008 lower) than the standard rate of corporation tax in the United Kingdom. The differences are as follows:

	2009 £ 000's	2008 £ 000's
Profit on ordinary activities before taxation	<u>75,249</u>	<u>21,935</u>
Taxation charge/(credit) at UK corporation tax rate of 28% (2008 28.5%)	21,070	6,251
Effects of:		
Group relief for which no payment is made	-	(558)
Reversal of impairment against subsidiary	(20,914)	-
Provisions against investment in subsidiaries not taxable	-	4,743
Provisions against inter group loans not taxable	-	(762)
Increase in losses carried forward	-	173
Utilisation of losses brought forward	(156)	-
Expenditure not deductible for tax	-	1
Non-taxable income	<u>-</u>	<u>(9,848)</u>
Current tax charge and tax on profit on ordinary activities	<u>-</u>	<u>-</u>

**6. 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
At 1 January 2009	878,619	(140,920)	112,366	850,065
Disposals	(132,404)	16,560	(15,956)	(131,800)
Reversal of impairment	-	74,694	-	74,694
At 31 December 2009	<u>746,215</u>	<u>(49,666)</u>	<u>96,410</u>	<u>792,959</u>

**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**6 Fixed Assets - Investments in subsidiary undertakings (continued)**

The Company's main 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

**7 Debtors**

	2009 £ 000's	2008 £ 000's
Amounts falling due within one year		
Amounts owed by fellow subsidiary undertakings	618,380	834,205
Other debtors	1	4
Total debtors	<u>618,381</u>	<u>834,209</u>

**8 Creditors**

	2009 £ 000's	2008 £ 000's
Amounts falling due within one year		
Amounts due to fellow subsidiary undertakings	816,051	1,163,916
Other creditors including sundry taxes	3	6
Total creditors	<u>816,054</u>	<u>1,163,922</u>

**9. Provision for liabilities and charges**

	£000
At 1 January 2009	1,157
Utilised during the year	(64)
Released during the year	(328)
At 31 December 2009	<u>765</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 2009 (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. The Company is also the recipient of claims under indemnity and other arrangements with third parties and certain former subsidiaries. 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 estimated cost of incurred claims less insurance recoveries. 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**

	2009 £ 000's	2008 £ 000's
Authorised 1,000,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>
	2009 £ 000's	2008 £ 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**

	Revaluation Reserve £000's	Share Premium £ 000's	Profit and Loss Account £ 000's
At 1 January 2009	112,366	316	161,840
Retained Profit for the year	-	-	75,249
Transfer from revaluation reserve to profit and loss account	(15,956)	-	15,956
At 31 December 2009	<u>96,410</u>	<u>316</u>	<u>253,045</u>

**KVAERNER E&C HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**12 Reconciliation of movement in shareholders' funds**

	<b>2009</b> <b>£ 000's</b>	<b>2008</b> <b>£ 000's</b>
Profit for the year	75,249	21,935
Recognised gains in the year	<u>-</u>	<u>-</u>
Net increase in shareholder's funds	75,249	21,935
Opening shareholders' funds	<u>520,611</u>	<u>498,676</u>
Closing shareholders' funds	<u>595,860</u>	<u>520,611</u>

**13. Ultimate parent company and ultimate controlling party**

The Company's immediate parent company is One Berkeley Street 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, Surrey House, 36-44 High Street, Redhill, Surrey RH1 1RH, UK

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