

AKER KVAERNER PROJECTS LIMITED

Company No. 454398

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



AKER KVAERNER PROJECTS LIMITED

Directors' Report and Financial Statements for the Year Ended 31 December 2004

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AKER KVAERNER PROJECTS LIMITED

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the Company is the provision of design, project management, consultancy, construction and commissioning services to the petrochemical, process, environmental and pharmaceutical industries.

Business review

The directors consider that the level of business and the financial position at 31 December 2004 were satisfactory given the current market conditions. Financial prospects and turnover are dependent upon the nature of contracts undertaken, and may fluctuate from accounting period to accounting period. On 31 December 2003 the Warrington and Teesside businesses were disposed of to Aker Kvaerner Engineering Services Limited.

Results

The results for the year are set out in the profit and loss account on page 6.

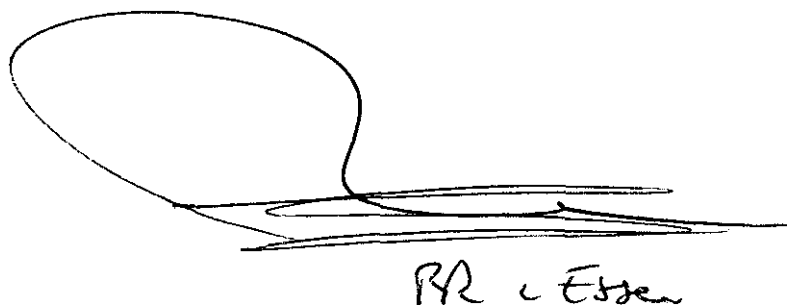
Dividends and transfers to reserves

The directors do not propose to recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the year ended 31 December 2004 (2003 : nil).

Directors

The directors who served during the year were as follows:

J. Tautra	
O-K. Sivertsen	(resigned 30.09.2005)
P. R. van Essen	(appointed 11.10.2004)
W. P. M. van der Zande	(appointed 11.10.2004)
M. Leggett	(resigned 11.10.2004)
N. Tay	(resigned 11.10.2004)



PR van Essen

AKER KVAERNER PROJECTS LIMITED

Directors' Report (continued)

Directors' interests

None of the directors at 31 December 2004 had any interests requiring to be disclosed under the Companies Act 1985.

There were no changes in the directors' interests between 31 December 2004 and the date of this report.

No director during the year had a material interest in any contract significant to the Company's business.

Policy on payment of suppliers

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

The number of days billings from suppliers outstanding at 31 December 2004 was 29 (2003: 44 days)

The environment

The Company is required to pursue policies that comply with the relevant legislation and standards applicable to its particular industry.

Employees

The Company is committed to a policy of providing equal opportunities for all, regardless of race, religion, sex or disability.

The Company is committed to training and management development, so as to ensure a supply of trained and skilled employees.

The Company keeps employees informed about its current activities and progress by various methods, including in-house publications.

Political and charitable donations

The Company made no political contributions during the year (2003: £nil).
Donations to UK charities amounted to £900 (2003: £22).

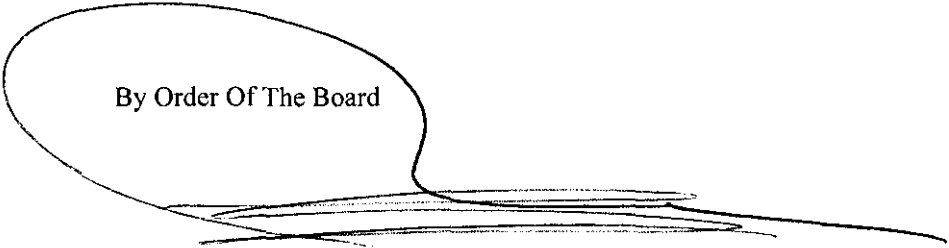
Auditors

KPMG Audit Plc has signified its willingness to continue in office. Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint its auditors annually and KPMG Audit Plc is, therefore deemed re-appointed for the succeeding year.

AKER KVAERNER PROJECTS LIMITED

Directors' Report (continued)

By Order Of The Board



Paul René van Essen
DIRECTOR
Kvaerner House
68 Hammersmith Road
London W14 8YW

Date 19 January 2006

AKER KVAERNER PROJECTS LIMITED

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

A handwritten signature or mark, possibly a stylized 'P' or a similar character, located at the bottom right of the page.

AKER KVAERNER PROJECTS LIMITED

Report of the independent auditors, KPMG Audit Plc, to the members of Aker Kvaerner Projects Limited

We have audited the financial statements on pages 6 to 17.

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 preparing the directors' report and, as described on page 4 of 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 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 financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Newcastle upon Tyne
Chartered Accountants
Registered Auditor

Date: *19 January 2006*



AKER KVAERNER PROJECTS LIMITED

Profit and Loss Account for the Financial Year ended 31 December 2004

	<u>Notes</u>	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
Turnover			
- continuing operations	2,4	36,335	36,289
- discontinued operations		-	7,530
		<u>36,335</u>	<u>43,819</u>
Cost of sales		<u>(33,632)</u>	<u>(40,401)</u>
Gross profit		2,703	3,418
Net operating expenses		<u>(7,379)</u>	<u>(7,104)</u>
Operating (loss)/profit - continuing operations		(4,676)	(4,585)
- discontinued operations		-	899
	3,4	<u>(4,676)</u>	<u>(3,686)</u>
Profit on disposal of discontinued operations	5	-	2,491
Loss on disposal of Investments	5	-	(209)
Interest receivable and similar income	8	2,368	36
Interest payable and similar charges	9	<u>(432)</u>	<u>(22)</u>
Loss on ordinary activities before taxation		(2,740)	(1,390)
Tax on loss on ordinary activities	10	<u>757</u>	<u>(715)</u>
Loss on ordinary activities after taxation		(1,983)	(2,105)
Dividends payable	17	-	-
Retained loss for the financial year	19	<u><u>(1,983)</u></u>	<u><u>(2,105)</u></u>

There are no recognised gains or losses in either year other than the loss for that year.

AKER KVAERNER PROJECTS LIMITED

Balance Sheet as at 31 December 2004

	<u>Notes</u>	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
FIXED ASSETS			
Investments	11	<u>434</u>	<u>351</u>
CURRENT ASSETS			
Debtors	12	80,419	105,132
Cash at bank and in hand	13	<u>15,048</u>	<u>4,836</u>
		95,467	109,968
CREDITORS: amounts falling due within one year	14	<u>(31,755)</u>	<u>(42,790)</u>
NET CURRENT ASSETS		<u>63,712</u>	<u>67,178</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		64,146	67,529
CREDITORS: amounts falling due after more than one year	15	-	-
PROVISION FOR LIABILITIES AND CHARGES	16	<u>(142)</u>	<u>(1,542)</u>
		<u>64,004</u>	<u>65,987</u>
CAPITAL AND RESERVES			
Called up share capital	18	47,250	47,250
Profit and loss account	19	<u>16,754</u>	<u>18,737</u>
EQUITY SHAREHOLDERS' FUNDS	20	<u>64,004</u>	<u>65,987</u>

The financial statements were approved by the Board of Directors on
and were signed on its behalf by:

19 January 2006

P.R. van Essen
DIRECTOR

AKER KVAERNER PROJECTS LIMITED

Notes to the Financial Statements

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.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

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

Under Financial Reporting Standard (FRS) 1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Aker Kvaerner E & C Group AS, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties); the consolidated financial statements of Aker Kvaerner E & C Group AS within which this Company is included, can be obtained from the address in note 23.

(b) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if fixed under contractual arrangements, at the contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account when they arise.

(c) Turnover

Turnover, which includes inter-company trading, represents the estimated sales value of work (excluding value added tax) done in the year in accordance with long term contract accounting. The percentage of completion method is followed in accounting for long-term contracts. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. Losses on contracts are fully recognised when identified.



AKER KVAERNER PROJECTS LIMITED

Notes (continued)

1. Accounting policies (continued)

(d) Long-term contracts

Amounts recoverable on long-term contracts are valued at anticipated net sales value after provision for contingencies and anticipated future losses on contracts. Claims are included in the valuation of contracts and credited to the profit and loss account only when entitlement has been established. Small works are valued at the lower of cost plus attributable overheads and net sales value. Cash received on contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions for liabilities and charges. Immediate provision is made for all foreseeable losses.

(e) Cost of sales

Cost of sales includes direct costs and attributable overheads.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value.

(g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of 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 FRS 19.

Overseas taxation is based on profits arising from overseas income.

(h) Leased assets

Assets acquired under finance leases that give rights approximating to ownership are treated as if they have been purchased and an amount equivalent to their cost is included under tangible fixed assets. Depreciation is provided in accordance with the company's normal policy. Leasing payments are treated as consisting of capital and finance charge elements and the finance charge is charged to the profit and loss account. All other leases are operating leases and the annual rentals are charged wholly to the profit and loss account, on a straight-line basis over the lease term, even if payments are not made on such a basis.

(i) Fixed asset investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

1. Accounting policies (continued)

(j) Research and development

Research and development expenditure is written off as incurred.

(k) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2. Analysis of turnover

	<u>2004</u>	<u>2003</u>
By geographical area:	£000	£000
Africa	-	104
Americas	-	(7)
Asia/Middle East	23,275	25,772
Continental Europe	2,492	1,369
Russia	2,739	159
United Kingdom	7,829	16,422
	<u>36,335</u>	<u>43,819</u>

3. Profit/(loss) on ordinary activities before taxation

	<u>2004</u>	<u>2003</u>
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated after charging :		
Auditors' remuneration - audit fees	76	57
Depreciation of tangible fixed assets:		
- Owned assets	-	519
Operating lease rentals:		
- Hire of plant & machinery	-	327
- Other operating leases	-	2,148
Loss on disposal of fixed assets	-	93
Exchange (gain)/loss	(154)	44

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

4. Analysis of continuing and discontinued operations

	Con- tinuing £000	2004 Dis- continued £000	Total £000	Con- tinuing £000	2003 Dis- continued £000	Total £000
Turnover	36,335	-	36,335	36,289	7,530	43,819
Cost of sales	<u>(33,632)</u>	<u>-</u>	<u>(33,632)</u>	<u>(34,114)</u>	<u>(6,287)</u>	<u>(40,401)</u>
Gross profit	2,703	-	2,703	2,175	1,243	3,418
Net operating expenses	<u>(7,379)</u>	<u>-</u>	<u>(7,379)</u>	<u>(6,760)</u>	<u>(344)</u>	<u>(7,104)</u>
Operating loss	<u>(4,676)</u>	-	<u>(4,676)</u>	<u>(4,585)</u>	<u>899</u>	<u>(3,686)</u>

5. Exceptional items

On 31 December 2003 Aker Kvaerner Projects Limited sold their Warrington and Teesside businesses to Aker Kvaerner Engineering Services Limited at a profit of £2,491k.

On 31 December 2003 Aker Kvaerner Projects Limited sold some of their investments to One Berkeley Street at a loss of £209k.

6. Remuneration of directors

	<u>2004</u> £000	<u>2003</u> £000
Directors' emoluments	-	177

On 22nd January 2004 the directors who were employed and paid by Aker Kvaerner Projects Limited were transferred to Kvaerner E&C Resources Limited.

All directors are now remunerated by other Group companies.

	<u>2004</u> Number	<u>2003</u> Number
Retirement benefits are accruing to the following number of directors under defined benefit schemes.	-	2

The number of directors who exercised share options was nil (2003: nil).

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

7. Staff numbers and costs

The average number of persons employed by the company including directors, analysed by category was as follows:

	<u>2004</u> Number	<u>2003</u> Number
Process and Pharmaceutical industries	<u>31</u>	<u>506</u>

On 22nd January 2004 Aker Kvaerner Projects Ltd transferred all employees within the UK Defined Benefits Pension Scheme to Kvaerner E&C Resources Ltd. Aker Kvaerner Projects Ltd contracts with Kvaerner E&C Resources Ltd for hire of staff in order to fulfil its contractual commitments.

	<u>2004</u> £000	<u>2003</u> £000
Staff costs including directors' emoluments:		
Wages and salaries	1,319	22,428
Social security costs	132	1,917
Other pension costs (Note 22)	123	1,508
Total direct costs of employment	<u>1,574</u>	<u>25,853</u>

8. Interest receivable and similar income

	<u>2004</u> £000	<u>2003</u> £000
Bank interest	<u>2,368</u>	<u>36</u>

9. Interest payable and similar charges

	<u>2004</u> £000	<u>2003</u> £000
Interest payable on:		
Bank loans and overdrafts	432	13
Other	-	9
	<u>432</u>	<u>22</u>

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

10. Taxation

Analysis of charge in period

	2004		2003	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current year tax credit	1,191		-	
Adjustments in respect of prior period	----		(253)	
<i>Foreign tax</i>				
Current tax on income for the period	(434)		(462)	
	<hr/>		<hr/>	
Total current tax		757		(715)
		<hr/>		<hr/>
Tax credit/(charge) on loss on ordinary activities		757		(715)
		<hr/>		<hr/>

There is no UK corporation tax charge for the current or preceding year due to losses incurred. The current tax credit/(charge) for 2004 is higher (2003 higher) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004	2003
	£000	£000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2740)	(1,390)
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	822	417
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(9)	(11)
Capital allowances for period in excess of depreciation	--	172
Movement on provisions	114	-
Deferred tax not provided for	(698)	-
Non-taxable income	962	657
Group relief surrendered for nil consideration	--	(1,235)
Adjustment in respect of prior periods	--	(253)
Overseas tax paid	(434)	(462)
	<hr/>	<hr/>
Total current tax credit/(charge) (see above)	757	(715)
	<hr/>	<hr/>

Owing to minimal losses in the Aker Kvaerner UK sub-group, future profits in this company are likely to bear tax at standard rates of Corporation Tax.

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

11. Investments

Shares in Subsidiaries

Cost and net book value	£000
At 1 January 2004	351
Purchase of additional 35% holding in Aker Kvaerner Gulf Limited	<u>83</u>
At 31 December 2004	<u>434</u>

In the opinion of the directors, the aggregate value of investments is not less than that shown in the balance sheet. The current trading subsidiary undertakings are as follows:

	Country of Incorporation	% of ordinary share capital held
Aker Kvaerner Gulf Limited	Saudi Arabia	75
Kvaerner Construction (Stevenage) Limited	UK	100

The principal activities of Aker Kvaerner Gulf Limited (which changed its name from Saudi Davy Company Limited in March 2005) and Kvaerner Construction (Stevenage) Limited are the same as the holding Company.

12. Debtors

	<u>2004</u> £000	<u>2003</u> £000
Trade debtors	17,163	3,932
Amounts recoverable on contracts	3,346	5,317
Amounts owed by group undertakings:		
- Parent and fellow subsidiary undertakings	56,794	88,714
Other debtors	3,024	3,988
Prepayments	<u>92</u>	<u>3,181</u>
	<u>80,419</u>	<u>105,132</u>

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

13. Cash at bank and in hand

Of the total cash and bank balance on the balance sheet, £8.6 million (2003: £1.4 million) are deposits held in bank sub-accounts that are part of a group pooling system. In consequence, to the extent that other Aker Kvaerner E & C Group AS companies have withdrawn amounts from the group pooling system, such amounts represent a receivable from the Aker Kvaerner E & C Group AS group.

14. Creditors - amounts falling due within one year

	<u>2004</u> £000	<u>2003</u> £000
Payments received on account	8,224	4,522
Trade creditors	1,137	1,177
Amounts owed to group undertakings:		
- Subsidiary undertakings	-	-
- Fellow subsidiary undertakings	15,022	22,737
Overseas taxation	-	95
Other creditors, taxation and social security	3,428	9,783
Accruals and deferred income	<u>3,944</u>	<u>4,476</u>
	<u>31,755</u>	<u>42,790</u>

15. Creditors - amounts falling due after more than one year

	<u>2004</u> £000	<u>2003</u> £000
Accruals and deferred income	—	—

16. Provision for Liabilities and Charges

	<u>2004</u> £000
As at 1 January 2004	1,542
Created	258
Utilised during the year	(724)
Reclassified	(727)
Released to Profit and Loss Account	<u>(207)</u>
As at 31 December 2004	<u>142</u>

The provision released to the Profit and Loss Account within the year, represents a release of excess provisions in respect of an office relocation and forward losses on contracts.

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

17. Dividends

	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
Equity Shares: dividends payable	<u>-</u>	<u>-</u>

18. Share capital

	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
Authorised:		
Equity: 47,250,000 ordinary shares of £1 each	<u>47,250</u>	<u>47,250</u>
Allotted, called up and fully paid:		
Equity: 47,250,000 ordinary shares of £1 each	<u>47,250</u>	<u>47,250</u>

19. Reserves

	<u>Profit and</u> <u>Loss Account</u> <u>£000</u>
As at 1 January 2004	18,737
Retained loss for the year	<u>(1,983)</u>
At 31 December 2004	<u>16,754</u>

20. Reconciliation of movements in shareholders' funds

	<u>2004</u> <u>£000</u>	<u>2003</u> <u>£000</u>
Retained loss for the year	<u>(1,983)</u>	<u>(2,105)</u>
Net reduction in shareholders' funds	<u>(1,983)</u>	<u>(2,105)</u>
Opening shareholders' funds	<u>65,987</u>	<u>68,092</u>
Closing shareholders' funds	<u>64,004</u>	<u>65,987</u>

AKER KVAERNER PROJECTS LIMITED

Notes (continued)

21. Contingent liabilities

Guarantees have been given in respect of the due performance of contracts. The Company is also party to claims which arise in the ordinary course of business. It is the Company's policy to provide in full where liabilities are expected to occur as a result of these guarantees and claims. It is not envisaged that any further liability will arise under the guarantees; likewise, whilst the outcome of some of the claims cannot readily be foreseen, the directors believe that those which have not been provided for will be disposed of without material effect on the Company's financial position.

22. Pensions

The company's employees are members of a Defined Contribution pension arrangement, the Aker Kvaerner Defined Contribution Pension Scheme, for which Kvaerner PLC is the Principal Employer. The assets of the Scheme are held under trust, separately from the finances of the company. Contributions are paid by the company according to the Rules of the Scheme and are charged to the profit and loss account as they become payable

23. Ultimate parent company

The Company's immediate parent company is Aker Kvaerner E&C Europe Limited.

The largest group in which the results of the Company are consolidated is that headed by The Resource Group TRG AS, incorporated in Norway. The smallest group in which they are consolidated is that headed by Aker Kvaerner E&C Group AS. The consolidated financial statements of Aker Kvaerner E&C Group AS are available to the public and may be obtained from 68 Hammersmith Road, London W14 8YW.

The Company's ultimate parent company is The Resource Group TRG AS which is incorporated in Norway. Throughout the year under review, The Resource Group TRG AS was controlled by Kjell Inge RØkke and his interests.