

KVAERNER E&C UK LIMITED
(formerly Kvaerner Process (UK) Limited)
Company No. 454398

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000



KVAERNER E&C UK LIMITED

Report and Financial Statements For the Year Ended 31 December 2000

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KVAERNER E&C UK LIMITED

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal Activities

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

Name Change

The Company changed its name from Kvaerner Process (UK) Limited to Kvaerner E&C UK Limited on 1 March 2000.

Business Review

The directors consider that the level of business and the financial position at 31 December 2000 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.

Results

The results for the year are set out in the profit and loss account on page 5.

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 2000 (1999 : nil).

Directors

The directors who served during the year were as follows:

M. St. J. Holt	
M.J. Stewart	
M.G. Foster	(resigned 31 January 2000)
J.A. Murphy	(resigned 13 October 2000)
D.B. Hadley	
T.G. Snow	(appointed 1 January 2000)
J.C. Wilson	(appointed 13 October 2000)
K.N. Henry	(appointed 7 March 2000)

KVAERNER E&C UK LIMITED

Directors' Report (continued)

Directors' Interests

None of the directors at 31 December 2000 had any interests requiring to be disclosed under the Companies Act 1985.

There were no changes in the directors' interests between 31 December 2000 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 2000 was 51.

The Environment

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

Employment Policies

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.

Auditors

Since the 1999 year end Arthur Andersen resigned as auditors of the Company and in their place KMPG Audit Plc were appointed as auditors on 6 March 2001 by the Directors.

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to reappoint auditors annually was passed at the Annual General Meeting held on 5 July 1990.

By Order Of The Board

Wilson
Director
20 Eastbourne Terrace
London W2 6LE

Date

21/03/2001

KVAERNER E&C UK LIMITED

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 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.

KVAERNER E&C UK LIMITED

Report of the auditors to the members of Kvaerner E&C UK Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for 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 Professions' 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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
London
Chartered Accountants
Registered Auditor

Date: 27 March 2001

KVAERNER E&C UK LIMITED

Profit and Loss Account for the Year ended 31 December 2000

	<u>Notes</u>	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Turnover	2	99,978	123,844
Cost of sales		<u>(84,998)</u>	<u>(102,885)</u>
Gross profit		14,980	20,959
Net operating expenses	3	<u>(11,578)</u>	<u>(18,123)</u>
Operating profit	4	3,402	2,836
Interest receivable and similar income	7	1,039	1,100
Interest payable and similar charges	8	<u>(498)</u>	<u>(848)</u>
Profit on ordinary activities before taxation		3,943	3,088
Tax on profit on ordinary activities	9	<u>(254)</u>	<u>(235)</u>
Retained profit for the year	17	<u><u>3,689</u></u>	<u><u>2,853</u></u>

There are no recognised gains or losses in either period other than the profit for that period.

KVAERNER E&C UK LIMITED

Balance Sheet as at 31 December 2000

	Notes	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	10	1,511	2,067
Investments	11	<u>734</u>	<u>734</u>
		<u>2,245</u>	<u>2,801</u>
CURRENT ASSETS			
Debtors	12	134,697	121,768
Cash at bank and in hand		<u>22,446</u>	<u>22,888</u>
		157,143	144,656
CREDITORS: amounts falling due within one year	13	<u>(63,323)</u>	<u>(54,445)</u>
NET CURRENT ASSETS		<u>93,820</u>	<u>90,211</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		96,065	93,012
CREDITORS: amounts falling due after more than one year	14	<u>(1,646)</u> <u>94,419</u>	<u>(2,282)</u> <u>90,730</u>
CAPITAL AND RESERVES			
Called up share capital	15	47,250	47,250
Profit and loss account	16	<u>47,169</u>	<u>43,480</u>
EQUITY SHAREHOLDERS' FUNDS		<u>94,419</u>	<u>90,730</u>

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

21/03/2001

J. WILSON
DIRECTOR

KVAERNER E&C UK LIMITED

Notes

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 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 Kvaerner ASA, 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 Kvaerner ASA within which this Company is included, can be obtained from the address in note 22.

(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.

KVAERNER E&C UK 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

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Overseas taxation is based on profits arising from overseas income.

(h) Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

(i) Depreciation

Plant and machinery is depreciated over its estimated useful life (which varies from 3 to 10 years) on a straight line basis.

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Notes (continued)

1. Accounting Policies (continued)

(j) 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.

(k) Fixed asset investments

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

(l) Associated undertakings

Shares in associated undertakings are stated at cost less amounts written off.

(m) Research and development

Research and development expenditure is written off as incurred.

(n) 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.

The Company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

KVAERNER E&C UK LIMITED

Notes (continued)

2. Analysis Of Turnover

	2000	1999
By geographical area:	£000	£000
Africa	6,308	2,024
Americas	237	739
Asia/Middle East	37,255	38,157
Australasia	-	17
Continental Europe	15,856	9,575
United Kingdom	40,322	73,332
	<u>99,978</u>	<u>123,844</u>

All turnover was derived from continuing operations, comprising the provision of engineering design, construction and commissioning services.

3. Net Operating Expenses

	2000	1999
	£000	£000
Marketing, selling and distribution	2,524	5,736
Finance and administration expenses	9,054	12,387
	<u>11,578</u>	<u>18,123</u>

4. Operating Profit

	2000	1999
	£000	£000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration - audit fees	80	60
Depreciation of tangible fixed assets:		
- Owned assets	1,343	1,964
Operating lease rentals:		
- Hire of plant & machinery	600	876
- Other operating leases	6,525	6,825
Loss/(Gain) on disposal of fixed assets	47	(41)
Exchange Loss/(Gain)	<u>(19)</u>	<u>96</u>

KVAERNER E&C UK LIMITED

Notes (continued)

5. Remuneration of directors

Directors' emoluments set out below include fees, taxable expense allowances, pension contributions and the estimated money value of benefits in kind.

	2000 £000	1999 £000
Directors' emoluments	435	-

The Directors of the Company were remunerated by Kvaerner E&C PLC during 1999.

The aggregate emoluments of the highest paid director was £191,238 (1999: £Nil). He is a member of a defined benefit scheme under which his accrued pension at the year end was £13,170 (1999 £10,704)

	2000 Number	1999 Number
Retirement benefits are accruing to the following number of directors under defined benefit schemes.	8	7
The number of directors who exercised share options was	Nil	Nil

6. Staff Numbers and Costs

The average weekly number of employees:

	<u>2000</u> <u>Number</u>	<u>1999</u> <u>Number</u>
Oil, gas, nuclear, transportation, environmental and defence industries	298	337
Chemical, biotechnology, food and process industries	770	739
	<u>1,068</u>	<u>1,076</u>

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Staff costs including directors' emoluments:		
Wages and salaries	38,500	47,139
Social security costs	3,801	4,269
Other pension costs (Note 21)	2,984	3,396
Total direct costs of employment	<u>45,285</u>	<u>54,804</u>

KVAERNER E&C UK LIMITED

Notes (continued)

7. Interest Receivable And Similar Income

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Bank interest	<u>1,039</u>	<u>1,100</u>
	<u><u>1,039</u></u>	<u><u>1,100</u></u>

8. Interest Payable and Similar Charges

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Interest payable on sums wholly repayable within 5 years	498	839
Other interest payable	<u>-</u>	<u>9</u>
	<u><u>498</u></u>	<u><u>848</u></u>

9. Tax on Profit on Ordinary Activities

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Overseas tax - current period	<u>254</u>	<u>235</u>

There is no net UK corporation tax charge on the profit for the year as relief will be obtained for losses incurred by other companies in the group surrendered for no consideration.

There is no potential liability to deferred taxation.

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Notes (continued)

10. Tangible Fixed Assets

	<u>Plant & machinery</u> £000
Cost:	
At 1 January 2000	19,310
Additions	871
Transfers from group companies	-
Disposals	(84)
At 31 December 2000	<u>20,097</u>
Accumulated depreciation:	
At 1 January 2000	17,243
Charge for the year	1,343
Disposals	-
At 31 December 2000	<u>18,586</u>
Net book value:	
At 31 December 2000	<u>1,511</u>
At 31 December 1999	<u>2,067</u>

KVAERNER E&C UK LIMITED

Notes (continued)

11. Investments

	<u>2000</u>	<u>1999</u>
	<u>£000</u>	<u>£000</u>
Shares in subsidiary undertakings	<u>734</u>	<u>734</u>
(a) Shares in subsidiary undertakings	<u>Investments</u>	<u>Revaluations</u>
	<u>at Cost</u>	<u>Net Book</u>
	<u>£000</u>	<u>Value</u>
At 1st January 2000 and 31st December 2000	<u>734</u>	<u>734</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
Kvaerner John Brown Pte Limited	Singapore	100
John Brown Saudi Arabia Limited	Saudi Arabia	50
Kvaerner Recruitment Services Limited	England & Wales	100
Kvaerner Construction (Stevenage) Limited	England & Wales	100

The principal activity of Kvaerner Recruitment Services Limited is to act as an employment agency, the principal activities of all other subsidiary undertakings are as the holding Company.

Kvaerner Process Offshore Limited, which is dormant and 100% owned and registered in England & Wales, is a management agency company acting solely on behalf of this Company.

(b) Investments in associated undertakings

	<u>Investments</u>	<u>Loans</u>	<u>Amounts</u>	<u>Net book</u>
	<u>at cost</u>		<u>written off</u>	<u>Value</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1st January 2000 and 31st December 2000	<u>162</u>	<u>250</u>	<u>(412)</u>	<u>-</u>

Details of the principal companies in which the Company held more than a 20% interest are as follows:

	<u>2000</u>	<u>1999</u>
Alcon Biotechnology Limited (Registered in England & Wales)	50%	50%

The principal business of the company is the commercial exploitation of technology for the production of industrial ethanol for fuel purposes.

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Notes (continued)

12. Debtors

	<u>2000</u> £000	<u>1999</u> £000
Trade debtors	12,385	6,937
Amounts recoverable on contracts	4,409	6,887
Amounts owed by group undertakings:		
- Parent and fellow subsidiary undertakings	105,127	100,193
Other debtors	8,443	4,318
Prepayments	<u>4,333</u>	<u>3,433</u>
	<u>134,697</u>	<u>121,768</u>

13. Creditors - Amounts Falling Due Within One Year

	<u>2000</u> £000	<u>1999</u> £000
Payments received on account	5,583	12,734
Trade creditors	5,238	4,356
Amounts owed to group undertakings:		
- Subsidiary undertakings	3,606	2,941
- Fellow subsidiary undertakings	22,696	20,514
Overseas taxation	135	118
Other creditors, taxation and social security	19,624	5,666
Accruals and deferred income	<u>6,441</u>	<u>8,116</u>
	<u>63,323</u>	<u>54,445</u>

KVAERNER E&C UK LIMITED

Notes (continued)

14. Creditors - Amounts Falling Due After More Than One Year

	<u>2000</u> £000	<u>1999</u> £000
Accruals and deferred income	<u>1,646</u>	<u>2,282</u>

15. Share Capital

	<u>2000</u> £000	<u>1999</u> £000
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>

16. Reserves

	<u>Profit and</u> <u>Loss Account</u> £000
As at 1 January 2000	43,480
Retained profit for the year	<u>3,689</u>
At 31 December 2000	<u>47,169</u>

KVAERNER E&C UK LIMITED

Notes (continued)

17. Reconciliation of Movements in Shareholders' Funds

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Retained profit for the year	<u>3,689</u>	<u>2,853</u>
Net addition to shareholder's funds	<u>3,689</u>	<u>2,853</u>
Opening shareholder's funds	<u>90,730</u>	<u>87,877</u>
Closing shareholder's funds	<u>94,419</u>	<u>90,730</u>

18. Capital Commitments

At 31 December 2000 capital expenditure of £233,000 (1999 £30,000) had been approved and contracted for by the directors.

19. 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.

The Company jointly and severally with certain other subsidiaries of Kvaerner E&C PLC has given fixed and floating charges over all its assets, undertakings and property in respect of Kvaerner E&C PLC's issue of:

5 5/8% Secured loan stock 2003	£1,330,511
4 7/8% Secured loan stock 2003	£284,272

KVAERNER E&C UK LIMITED

Notes (continued)

20. Operating Lease Commitments

The Company was committed to making the following payments during the next year in respect of operating leases, analysed by dates of expiry:

	<u>2000</u>		<u>1999</u>	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Within one year	116	322	130	189
Within two to five years	1,692	460	966	670
After five years	<u>4,500</u>	<u>-</u>	<u>5,061</u>	<u>-</u>
	<u><u>6,308</u></u>	<u><u>782</u></u>	<u><u>6,157</u></u>	<u><u>859</u></u>

21. Pensions

The Company's employees are members of defined benefit and defined contributions pension schemes operated by the Kvaerner PLC Group under which contributions are paid by the company and by employees. The assets of the schemes are held in trustee administered funds separate from the finances of the Group.

The Company's contributions are based on the expected cost of pensions across the Kvaerner PLC Group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees within group schemes. Details of the actuarial valuation of the group schemes are contained within the report and accounts of Kvaerner PLC.

22. Ultimate Parent Company

Kvaerner E&C PLC, a Company registered in England and Wales, heads the smallest group in which the results of the Company are consolidated.

The ultimate parent Company is Kvaerner ASA, a Company registered in Norway, which heads the largest group in which the results of the company are consolidated.

Copies of the financial statements of Kvaerner ASA can be obtained from the Company Secretary's office at Kvaerner House, 68 Hammersmith Road, London W14 8YW. Copies of the group financial statements of Kvaerner E&C PLC are available from the Registered Office at 20 Eastbourne Terrace, London W2 6LE.

23. Post Balance Sheet Event

The hydrocarbons business is being transferred in 2001 to another fellow subsidiary of Kvaerner ASA and will remain as a continuing business of the group. The full details of the transfer had not been completed by the time the financial statements were signed.