

# Kvaerner Estates Limited

Financial Statements 31 December 2003  
together with directors' and auditors' reports

Registered number: 551134



# Kvaerner Estates Limited

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

### Principal activities and business review

The Company's principal activity is, and continues to be, the ownership and management of land and buildings.

At 1 January 2003 management of the real estate function within the Kvaerner Group was outsourced to a third party service provider, CB Richard Ellis.

### Financial statements and dividend

The financial statements of the Company appear on pages 3 to 10, inclusive.

The result for the year is set out in the profit and loss account on page 3. Retained losses of £1,529,597 (2002 - loss £871,308) have been transferred to reserves.

The Company has a deficit on its profit and loss account. Consequently, no dividend may be paid.

### Directors

Shown below are the Directors who served during the year and those who continue in office at the date of this report.

F.E. Fosse  
R. Laycock

### Directors' interests

No Director has, or during the year had, any interest in the shares of the Company or any other company in the same group to be disclosed in terms of the Companies Act 1985. The Directors are exempt from disclosing their interest, if any, in the shares of the ultimate parent company as it is incorporated outside of Great Britain.

No Director is, or was, materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business.

### Creditor payment policy

Statutory Regulations issued under the Companies Act 1985 require the Company to make a statement of its policy and practice on the payment of trade creditors. Operating businesses in the Aker Kvaerner Group are responsible for agreeing the term and conditions under which business transactions with their suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with agreed terms and in accordance with its contractual and other legal obligations, provided that the supplier is also complying with all relevant terms and conditions. The average number of days taken to pay the Company's trade suppliers during 2003 was 25 days (2002: 25 days).

### Annual general meeting

The Company has dispensed with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings.

Kvaerner Estates Limited

## Directors' Report (Continued)

### Auditor

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 auditor annually and KPMG Audit Plc is, therefore, deemed re-appointed as auditor for the succeeding year.

By order of the Board,

Rufus Laycock

Rufus Laycock  
*Secretary*

Date: 23<sup>rd</sup> August 2004.

*Registered Office:*  
68 Hammersmith Road  
London W14 8YW

## 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 as at the end of the financial year and of the profit or loss of the Company for that year. 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.

# **Independent auditors' report to the members of Kvaerner Estates Limited**

We have audited the financial statements on pages 3 to 10.

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 opinion we have formed.

## **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 1 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 2003 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**  
*Chartered Accountants*  
*Registered Auditor*  
*8 Salisbury Square*  
*London*  
*EC4Y 8BB*

*18 October 2004*

**Profit And Loss Account for the Year Ended  
31 December 2003**

	Note	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover			
Continuing operations	2	2,669,808	2,721,924
Cost of sales	3	(3,741,474)	(3,206,403)
Gross loss		<u>(1,071,666)</u>	<u>(484,479)</u>
Net operating expenses		<u>(479,772)</u>	<u>(654,059)</u>
Operating loss on continuing operations		(1,551,438)	(1,138,538)
Surplus on disposal of tangible fixed assets		-	417,003
Interest receivable and similar income	4	64,890	46,759
Interest payable and similar charges	5	(43,049)	(196,532)
Loss on ordinary activities before taxation	6	<u>(1,529,597)</u>	<u>(871,308)</u>
Taxation - on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Retained loss for the financial year	14	<u><u>(1,529,597)</u></u>	<u><u>(871,308)</u></u>

The notes on pages 5 to 10 inclusive form part of this profit and loss account.

The Company has no recognised gains or losses other than the losses for the current and prior financial years. Accordingly, a statement of total recognised gains and losses has not been prepared.

The only movement in shareholders' funds is the loss for the financial year. Accordingly, a statement reconciling the movement in shareholders' funds has not been prepared.

# Kvaerner Estates Limited

## Balance Sheet at 31 December 2003

	Note	31 December 2003		31 December 2002	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		1,968,056		1,968,056
<b>Current assets</b>					
Debtors	9	14,974,564		14,901,849	
Cash at bank and in hand	10	<u>1,415,641</u>		<u>1,487,415</u>	
		16,390,205		16,389,264	
<b>Creditors:</b>					
Amounts falling due within one year	11	<u>(14,476,613)</u>		<u>(12,989,585)</u>	
<b>Net current assets</b>			1,913,592		3,399,679
<b>Total assets less current liabilities</b>			<u>3,881,648</u>		<u>5,367,735</u>
<b>Provisions for liabilities and charges</b>	12		<u>(3,000,482)</u>		<u>(2,956,972)</u>
<b>Net assets</b>			<u><u>881,166</u></u>		<u><u>2,410,763</u></u>
<b>Capital and reserves</b>					
Called up equity share capital	13		35,000,000		35,000,000
Revaluation reserve	14		1,324,367		1,324,367
Other reserves	14		8,561,297		8,561,297
Profit and loss account - (deficit)	14		(44,004,498)		(42,474,901)
<b>Equity shareholders' funds</b>			<u><u>881,166</u></u>		<u><u>2,410,763</u></u>

The notes on pages 5 to 10 inclusive form part of this balance sheet.

The financial statements were approved by the Board of Directors on 23<sup>rd</sup> August 2004 and signed on its behalf by:

*Rufus Laycock*

R. Laycock  
Director

**Notes to accounts**  
**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.

(a) **Basis of preparation**

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 tangible fixed assets. The Company has applied the transitional rules contained in FRS 15 "Tangible Fixed Assets" to retain previous valuations as the basis on which certain of these assets are held.

(b) **Cash flow statement**

The Company has taken advantage of the exemption under the rules of FRS1 (revised) not to produce a cash flow statement. The appropriate amounts have been included in the consolidated financial statements of Kvaerner ASA.

(c) **Related parties**

As the Company is a wholly owned subsidiary of Aker Kvaerner PLC, 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. The consolidated financial statements of Aker Kvaerner PLC, within which this Company is included, can be obtained from the address given in note 16.

(d) **Turnover**

Turnover, which includes intra-group trading, represents rental income from properties and management fees, net of VAT, and arises wholly within the United Kingdom.

(e) **Taxation**

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 FRS 19.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

(f) **Fixed asset properties - occupied by the group**

Properties owned and occupied as business premises are included in fixed assets at their valuation plus subsequent additions at cost.

(g) **Depreciation**

Depreciation is not provided on freehold and long leasehold properties where the buildings concerned are currently sufficiently well maintained to ensure that the residual values of such properties are not less than the cost or valuation (based on prices prevailing at the time of acquisition or subsequent valuation) and accordingly annual depreciation or amortisation would not be material to the financial statements. For short leasehold premises, depreciation is provided over the life of the lease.

(h) **Revaluation reserve**

Surpluses or deficits arising on the revaluation of tangible fixed assets are transferred to a non-distributable reserve known as the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent in which case it is charged (or credited) to the profit and loss account. In accordance with FRS3, the profit or loss on sale of a tangible fixed asset is the difference between the disposal proceeds and the carrying value of the asset, including any revaluation. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss reserve and is not included in the profit for the financial year.



**Notes to accounts (continued)**  
**31 December 2003**

1. **Accounting policies (continued)**

(i) **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2. **Turnover - continuing operations**

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover represents:		
Intra- group rental income	632,250	631,000
Other rental	2,037,558	2,090,924
	<u>2,669,808</u>	<u>2,721,924</u>

3. **Cost of sales**

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Property expenses less amounts charged against provisions	2,888,475	2,958,596
Provisions raised in respect of onerous leases	852,999	247,807
	<u>3,741,474</u>	<u>3,206,403</u>

4. **Interest receivable and similar income**

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Bank Interest	57,642	35,026
Other	7,248	11,733
	<u>64,890</u>	<u>46,759</u>

# Kvaerner Estates Limited

## Notes to accounts (continued) 31 December 2003

### 5. Interest payable and similar charges

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Interest payable to subsidiary undertaking	17,049	-
Other loans	-	40,532
Discounted provisions		
Unwinding of discount	26,000	156,000
	<u>43,049</u>	<u>196,532</u>

### 6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Operating lease rentals:		
Land and buildings	3,224,713	3,338,771
Auditors' remuneration - audit	27,500	27,500
	<u>3,252,213</u>	<u>3,366,271</u>

The Company had no employees during the year (2002 - none). Administration services are provided by a third party under a service contract.

Neither of the Directors received any emoluments from the Company during the year (2002 - £Nil).

# Kvaerner Estates Limited

## Notes to accounts (continued)

31 December 2003

### 7. Taxation - on loss on ordinary activities

#### Factors affecting the current tax charge

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

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Loss on ordinary activities before taxation	(1,529,597)	(871,308)
Taxation credit at UK Corporation Tax rate of 30% (2002:30%)	(458,879)	(261,392)
Effects of		
Group relief for which no payment is made	444,970	664,757
Capital allowances in excess of depreciation	(2,587)	(7,065)
Movements on provisions	13,053	(396,300)
Expenditure not deductible for tax purposes	3,443	-
Actual tax charge per account	-	-

#### Factors affecting future tax charges

It is anticipated that any future taxable income in this Company will be sheltered from tax by utilisation of group relief from other Group companies, and where possible, the use of the Group's tax losses arising in prior years.

The Aker Kvaerner PLC UK tax group has brought forward tax losses estimated at £230M and surplus Advance Corporation Tax of approximately £194M.

There is no potential liability to deferred taxation.

### 8. Tangible fixed assets - Freehold land and buildings

#### Cost or valuation:

At 1 January 2003 (cost £643,689) and  
31 December 2003 (cost £643,689)

£

1,968,056

# Kvaerner Estates Limited

## Notes to accounts (continued) 31 December 2003

### 8. Tangible fixed assets – Freehold land and buildings (continued)

The properties owned and occupied as business premises are carried at their 30 September 1993 valuations plus additions at cost. The major properties were valued as at 30 September 1993 by Jones Lang Wootton, Chartered Surveyors, on an open market existing use basis.

All of the above valuations were carried out in accordance with Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors.

### 9. Debtors

	31 December 2003 £	31 December 2002 £
Amounts falling due within one year:		
Trade debtors	1,489,208	1,428,175
Amount owed by immediate parent undertaking	2,898,270	4,312,928
Amounts owed by fellow subsidiary undertakings	9,649,467	8,140,051
Prepayments and accrued income	842,737	936,968
Taxation and social security	94,882	83,727
	<u>14,974,564</u>	<u>14,901,849</u>

### 10. Cash at bank and in hand

The cash and bank balance are deposits held in bank sub-accounts that are part of a group pooling system. Other Kvaerner Group companies may have withdrawn amounts deposited on such bank sub-accounts, such that the net balance on the accounts may be less than the reported balance. The bank has at any time a right of set-off in respect of any debit balance on any sub-account, towards satisfaction of any credit balance on other sub-accounts, in which case any debit balance represents a receivable from the Kvaerner group and any credit balance represents borrowings from the Kvaerner group.

### 11. Creditors

	31 December 2003 £	31 December 2002 £
Amounts falling due within one year:		
Amounts owed to intermediate parent undertakings	9,573,141	9,573,141
Amounts owed to fellow subsidiary undertakings	3,902,227	2,396,661
Other creditors	267,663	244,029
Accruals and deferred income	733,582	775,754
	<u>14,476,613</u>	<u>12,989,585</u>

### 12. Provisions for liabilities and charges

The provisions relate to onerous leases.

	£
At 1 January 2003	2,956,972
Raised during the year	852,999
Utilised during the year	(835,489)
Unwinding of discount	26,000
At 31 December 2003	<u>3,000,482</u>

It is anticipated that these provisions will be utilised during the period from the balance sheet date to April 2014.

# Kvaerner Estates Limited

## Notes to accounts (continued) 31 December 2003

### 13. Called up equity share capital

31 December 2003	31 December 2002
£	£

Authorised, allotted and fully paid:

Ordinary shares of £1 each	<u>35,000,000</u>	<u>35,000,000</u>
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### 14. Reserves

	Other reserves £	Revaluation reserve £	Profit and loss account £
At 1 January 2003 - (deficit)	8,561,297	1,324,367	(42,474,901)
Loss for the financial year	-	-	(1,529,597)
At 31 December 2003 - (deficit)	<u>8,561,297</u>	<u>1,324,367</u>	<u>(44,004,498)</u>

Other reserves arise from the sale of business premises and, in accordance with the Company's Memorandum of Association, are non-distributable.

### 15. Commitments

Annual commitments under non cancellable operating leases are as follows:-

	31 December 2003 £	31 December 2002 £
Land and buildings		
Operating leases which expire :		
in one year	495,552	198,775
between 2 and 5 years	809,780	1,322,353
in more than 5 years	<u>1,771,650</u>	<u>1,771,150</u>
	<u>3,076,982</u>	<u>3,292,278</u>

### 16. Ultimate parent company and parent undertaking of larger group of which the Company is a member

Aker Kvaerner PLC, which is registered in England and Wales, heads the smallest group in which the results of the Company are consolidated.

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.

Copies of the respective financial statements can be obtained from Aker Kvaerner PLC at Kvaerner House, 68 Hammersmith Road, London W14 8YW.