



Kvaerner Estates Limited

Financial Statements 31 December 2001
together with directors' and auditors' reports

Registered number: 551134

Kvaerner Estates Limited

Directors' Report

The Directors present their report, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities and business review

The Company's principal activity during the year was the provision of property management services with respect to land and buildings owned by, and occupied by, it and its fellow subsidiaries within the Kvaerner Group.

At 1 January 2002 management of the Real Estate function in the Kvaerner Group was outsourced to a third party service provider, CB Hillier Parker.

The Company continues to be the owner of property assets.

Results and dividend

The results for the year are set out in the profit and loss account on page 3. Retained losses of £3,127,984 (2000 - loss £3,436,818) have been transferred to reserves.

The Company has a deficit on its Profit and Loss Account. Consequently, no dividend can be paid.

Share capital

At 17 December 2001 the authorised share capital was increased from £15,000,000 to £35,000,000 by the creation of an additional 20,000,000 Ordinary Shares of £1 each ranking pari passu in all respects as one class with the existing Ordinary Shares in the capital of the Company. The new Ordinary Shares were allotted to the sole member of the Company for a consideration of £20,000,000 to provide additional working capital.

Directors

The Directors who served during the year and subsequent to the year-end are shown below.

N. Latham (resigned 31 December 2001)

L.N. Simpson (resigned 22 March 2002)

F.E. Fosse (appointed 5 April 2002)

R. Laycock (appointed 12 March 2002)

Directors' share interests

No Director has, or during the year had, or at the time he became a director had, any interest in the shares of the Company or any other company within the same group to be disclosed in accordance with the Companies Act 1985. There were no changes in Directors' share interests during the period from 31 December 2001 (or subsequent date of appointment) to the date of this report.

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.

Policy on payment of suppliers

The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirements of the Companies Act 1985 is 25 days.

The Company agrees with its suppliers the terms and conditions under which business transactions with them are conducted. It is the Company 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.

Kvaerner Estates Limited

Directors' Report (Continued)

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.

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

R. Laycock
Secretary

Date: 2 July 2002

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;
- 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 Estates Limited

Independent auditors' report to the members of Kvaerner Estates Limited

We have audited the financial statements on pages 3 to 12.

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 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W. M. Audit Plc.

2 July 2002

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

Kvaerner Estates Limited

Profit And Loss Account for the Year Ended 31 December 2001

	Note	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Turnover			
Continuing operations	2	2,973,471	4,359,173
Property outgoings	3	(3,076,320)	(4,772,271)
Gross loss		<u>(102,849)</u>	<u>(413,098)</u>
Net operating expenses		(585,849)	(534,238)
Surplus on disposal of tangible fixed assets		<u>1,000</u>	<u>-</u>
Operating loss on continuing operations		(687,698)	(947,336)
Interest receivable and similar income	4	206,824	182,443
Interest payable and similar charges	5	(2,647,110)	(2,671,925)
Loss on ordinary activities before taxation	6	<u>(3,127,984)</u>	<u>(3,436,818)</u>
Taxation - on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Retained loss for the financial year	15	<u><u>(3,127,984)</u></u>	<u><u>(3,436,818)</u></u>

The notes on pages 6 to 12, inclusive form part of this profit and loss account.

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

Kvaerner Estates Limited

Balance Sheet at 31 December 2001

	Note	31 December 2001		31 December 2000	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,490,675		3,667,455
Current assets					
Debtors due within one year	9	15,434,853		12,345,551	
Cash at bank and in hand	10	11,861,590		3,069,875	
		<u>27,296,443</u>		<u>15,415,426</u>	
Creditors:					
Amounts falling due within one year	11	(11,433,837)		(26,907,788)	
Bank loan - secured	12	(10,949,641)		-	
		<u>(22,383,478)</u>		<u>(26,907,788)</u>	
Net current assets/(liabilities)			4,912,965		(11,492,362)
Total assets less current liabilities			<u>7,403,640</u>		<u>(7,824,907)</u>
Provisions for liabilities and charges	13		<u>(4,121,569)</u>		<u>(5,765,038)</u>
Net assets/(liabilities)			<u>3,282,071</u>		<u>(13,589,945)</u>
Capital and reserves					
Called up equity share capital	14		35,000,000		15,000,000
Revaluation reserve	15		2,501,147		2,501,147
Other reserves	15		6,967,514		6,966,514
Profit and loss account - (deficit)	15		(41,186,590)		(38,057,606)
Equity shareholders' funds			<u>3,282,071</u>		<u>(13,589,945)</u>

The notes on pages 6 to 12, inclusive form part of this balance sheet.

The financial statements were approved by the Board of Directors on 2 July 2002 and signed on its behalf by:

Refus Laycock

R. LAYCOCK
Director

Kvaerner Estates Limited

Reconciliation Of Movements In Shareholders' Funds

For The Year Ended
31 December 2001

	Year Ended 31 December 2001 £	Year Ended 31 December 2000 £
(Loss) for the financial period attributable to shareholders of the company	(3,127,984)	(3,436,818)
Share capital subscribed	<u>20,000,000</u>	<u>-</u>
Net addition to shareholders' funds	16,872,016	(3,436,818)
Opening shareholders' funds - (deficit)	(13,589,945)	(10,153,127)
Closing shareholders' funds - (deficit)	<u>3,282,071</u>	<u>(13,589,945)</u>

Notes to accounts
31 December 2001

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 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 Kvaerner PLC, within which this Company is included, can be obtained from the address given in note 17.

(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

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 years different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

(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 Directors are of the opinion that 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 2001

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.

(j) Pensions

The expected cost to the Company with respect to the pension arrangements (- defined benefit and defined contribution pension schemes) for those Kvaerner Group employees whose costs are apportioned to the Company is charged to the profit and loss account so as to spread the cost of pensions over the service lives of those in the schemes.

2. Turnover - continuing operations

	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Turnover represents:		
Intra- group rental income	621,774	2,010,980
Other rental	2,351,697	2,134,787
	<u>2,973,471</u>	<u>4,145,767</u>
Management fees	-	213,406
	<u>2,973,471</u>	<u>4,359,173</u>

3. Property outgoings

	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Property expenses	3,194,868	3,914,271
Provisions raised/ (released) in respect of onerous leases	(118,548)	858,000
	<u>3,076,320</u>	<u>4,772,271</u>

4. Interest receivable and similar income

	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Bank Interest	186,060	182,443
Other	20,764	-
	<u>206,824</u>	<u>182,443</u>

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Notes to accounts (continued) 31 December 2001

5. Interest payable and similar charges

	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Loan from immediate parent undertaking	1,754,077	2,384,419
Other loans	463,033	506
Discounted provisions		
Unwinding of discount	430,000	287,000
	<u>2,647,110</u>	<u>2,671,925</u>

6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year Ended 31 December 2001 £	Year ended 31 December 2000 £
Operating lease rentals:		
Land and buildings	2,975,372	3,891,441
Auditors' remuneration	<u>30,000</u>	<u>10,000</u>

Staff costs including directors' emoluments (note 6(a)):

	£	£
Wages and salaries	260,972	327,017
Social security costs	28,312	23,893
Other pension costs	18,918	20,348
	<u>308,202</u>	<u>371,258</u>

The average monthly number, including executive directors, employed by the Company during the year was 5 (2000 - 7).

The Company's employees are members of defined benefit and defined contribution pension schemes operated by the Kvaerner PLC Group under which contributions are paid by the Company and by the 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 the group schemes. Details of the actual valuation of the group schemes are contained in the consolidated financial statements of Kvaerner PLC.

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Notes to accounts (continued) 31 December 2001

6. Loss on ordinary activities before taxation (continued)

(a) Directors' emoluments

	Year Ended 31 December 2001 £	Year Ended 31 December 2000 £
Aggregate emoluments: Executives (including pension contributions to defined benefit schemes)	<u>83,850</u>	<u>131,150</u>

There was one director (2000 - 2) who was a member of defined benefit pension schemes.

The remuneration of the highest paid director was £78,000 (2000 - £72,000).

7. Taxation - on loss on ordinary activities

There is no charge for corporation tax as the company has incurred a loss for the year. Relief for the loss will be surrendered to other companies in the group for no consideration.

8. Tangible fixed assets

	Land and Buildings		
	Freehold	Short Leasehold	Total
	£	£	£
Cost or valuation:			
At 1 January 2001	3,667,455	132,637	3,800,092
Additions during year	72,220	-	72,220
Disposals during the year	(1,249,000)	(132,637)	(1,381,637)
At 31 December 2001	<u>2,490,675</u>	<u>-</u>	<u>2,490,675</u>
Accumulated depreciation:			
At 1 January 2001	-	132,637	132,637
Disposals during the year	-	(132,637)	(132,637)
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2001	<u>2,490,675</u>	<u>-</u>	<u>2,490,675</u>
At 31 December 2000	<u>3,677,455</u>	<u>-</u>	<u>3,667,455</u>

Notes to accounts (continued)
31 December 2001

8. Tangible fixed assets (Continued)

The comparable amounts on a historical cost basis in respect of freehold land and leasehold properties are as follows:

Freehold £	Short Leasehold	Total £
1,166,308	-	1,166,308

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 due within one year

	31 December 2001 £	31 December 2000 £
Trade debtors	544,433	758,222
Amounts owed by immediate parent undertaking	9,074,391	-
Amounts owed by fellow subsidiary undertakings	5,002,368	10,503,816
Prepayments and accrued income	813,661	1,083,513
	<u>15,434,853</u>	<u>12,345,551</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

Creditors – amounts falling due within one year:

	31 December 2001 £	31 December 2000 £
Amounts owed to intermediate parent undertakings	8,673,141	8,673,141
Amounts owed to immediate parent undertaking	-	14,789,796
Amounts owed to fellow subsidiary undertakings	2,063,247	1,845,163
Taxation and social security	14,799	874
Other creditors	149,377	261,026
Accruals and deferred income	533,273	1,337,788
	<u>11,433,837</u>	<u>26,907,788</u>

Notes to accounts (continued)

31 December 2001

12. Bank Loan

During the fourth quarter of 2001 the Company entered into a Norwegian Kroner credit agreement of up to NOK 140,000,000 between, among others, its ultimate parent undertaking, Kværner ASA and Den norske Bank ASA, which facility was secured by leasehold and freehold property owned by the Company. Interest on the loan was paid at variable rates between 11.27% and 13.07% per annum. The loan was repaid in January 2002.

13. Provisions for liabilities and charges

The provisions relate to onerous leases.

	£
At 1 January 2001	5,765,038
Released during the year	(118,549)
Utilised during the year	(1,954,920)
Unwinding of discount	430,000
At 31 December 2001	<u>4,121,569</u>

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

14. Called up equity share capital

31 December 2001	31 December 2000
£	£

Authorised, allotted and fully paid:

Ordinary shares of £1 each	<u>35,000,000</u>	<u>15,000,000</u>
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At 17 December 2001 the authorised share capital was increased from £15,000,000 to £35,000,000 by the creation of an additional 20,000,000 Ordinary Shares of £1 each ranking pari passu in all respects as one class with the existing Ordinary Shares in the capital of the Company. The new Ordinary Shares were allotted to the sole member of the Company for a consideration of £20,000,000 to provide additional working capital.

15. Reserves

	Other Reserves £	Revaluation reserve £	Profit and loss account £
At 1 January 2001 - (deficit)	6,966,514	2,501,147	(38,057,606)
Profit/(loss) for the financial year	<u>1,000</u>	<u>-</u>	<u>(3,128,984)</u>
At 31 December 2001 - (deficit)	<u>6,967,514</u>	<u>2,501,147</u>	<u>(41,186,590)</u>

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

Notes to accounts (continued)

31 December 2001

16. Commitments

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

	31 December 2001 £	31 December 2000 £
Land and buildings		
Operating leases which expire :		
in one year	34,250	34,250
between 2 and 5 years	1,495,493	1,495,493
in more than 5 years	2,714,150	2,714,150
	<u>4,243,893</u>	<u>4,243,893</u>

17. Ultimate parent undertaking

Kvaerner PLC heads the smallest group in which the results of the Company are consolidated.

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

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