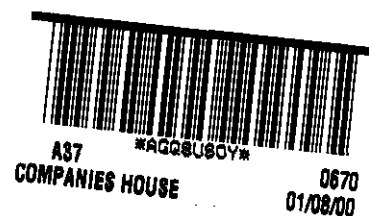


Trafalgar House Property Limited

Financial statements 31 December 1999
together with directors' and auditors' reports

Registered number: 582147



Trafalgar House Property Limited

Directors' Report

The directors present their report, together with the financial statements and auditors' report, for the year ended 31 December 1999.

Principal activities and business review

The company's principal activity is as a holding company for subsidiaries engaged in property development and investment.

Year 2000

No problems have been caused by the year 2000 "computer bug" as at the date of this report and the directors do not envisage that any problems will arise in the foreseeable future. The costs associated with the year 2000 compliance programme were not significant to the company.

Results

The results for the year are set out in the profit and loss account on page 3. Retained profits of £1,075,036 (1998 - loss £21,449,392) have been transferred to reserves.

Dividends

The directors do not recommend the payment of any dividend on the issued ordinary share capital of the company in respect of the year ended 31 December 1999.

Directors

The directors of the company during the year were:

A R Winter	(resigned 16 July 1999)
N Latham	
R Laycock	(appointed 25 June 1999 - resigned 26 June 1999)
H G R Williams	(resigned 30 June 1999)
C K Atasoy	(resigned 30 June 1999)
L N Simpson	(appointed 2 August 1999)

Directors' share interests

None of the directors, at 31 December 1999, had any interests requiring to be disclosed under the Companies Act 1985. There were no changes in the directors' interests between 31 December 1999 and the date of this report. No director, during the year, had a material interest in any contract significant to the company's business.

Annual general meeting

The company has dispensed with the obligation to hold annual general meetings.

Auditors

Pursuant to section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors has been passed at an Annual General Meeting.

By order of the Board,



N. Latham
Secretary
Kvaerner House
68 Hammersmith Road
London W14 8YW
30 JUNE 2000

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, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trafalgar House Property Limited

Auditors' Report

To the Shareholders of Trafalgar House Property Limited :

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 1, preparing 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.

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.

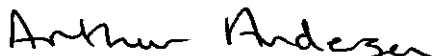
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures set out in Note 13 relating to the post balance sheet events, strategic review and financing of the ultimate holding company, Kvaerner ASA, and its subsidiaries including Kvaerner PLC. In particular, we draw attention to the disclosure of the uncertainties relating to the compliance of the Kvaerner ASA group with the covenants related to its banking arrangements and the group's plans to raise further capital. In view of the significance of these matters and their potential impact on the going concern basis adopted in these accounts, we believe that they should be brought to your attention. Our opinion is not qualified in this respect.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
LONDON WC2R 2PS
30 JAN 2000

Trafalgar House Property Limited

Profit And Loss Account for the Year Ended 31 December 1999

	Note	Year Ended 31 December 1999 £	Year ended 31 December 1998 £
Turnover			
Continuing operations	2	200,000	385,842
Other operating expenses (net)	3	1,562,550	10,922
		<hr/>	<hr/>
Operating profit - continuing operations		1,762,550	396,764
Loss on disposal of shares in associated undertakings		-	(1)
Income from investment in a subsidiary undertaking - dividend		10,000,000	-
Income from investment in an associated company		282	10,000
Interest receivable and similar income		2,436,256	2,225,530
Interest payable and similar charges	4	<hr/> (13,124,052) <hr/>	<hr/> (24,081,685) <hr/>
Profit/(loss) on ordinary activities before taxation	5	1,075,036	(21,449,392)
Taxation - on profit/(loss) on ordinary activities	6	<hr/> - <hr/>	<hr/> - <hr/>
 Retained profit/(loss) for the financial year	11	 <hr/> <u>1,075,036</u> <hr/>	 <hr/> <u>(21,449,392)</u> <hr/>

The notes on pages 5 to 11 form part of this profit and loss account.

The company has no recognised gains or losses other than the profit/(loss) for the current or prior financial year. Accordingly, a statement of total recognised gains or losses has not been prepared.

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

Trafalgar House Property Limited

Balance Sheet at 31 December 1999

	Note	31 December 1999		31 December 1998	
		£	£	£	£
Fixed assets					
Investments	7		229,060,898		226,618,105
Current assets					
Debtors due within one year	8	325,054,957		457,146,690	
Cash at bank and in hand		<u>3,293,117</u>		<u>1,017,926</u>	
		<u>328,348,074</u>		<u>458,164,616</u>	
Creditors:					
Amounts falling due within one year:					
Amounts owed to intermediate parent undertakings		(1,013,660)		(1,111,259)	
Amounts owed to subsidiary undertakings		(185,591,280)		(151,548,232)	
Amounts owed to fellow subsidiary undertakings		(201,186,774)		(362,440,905)	
Accruals and deferred income		<u>(160,009)</u>		<u>(164,294)</u>	
		<u>(387,951,723)</u>		<u>(515,264,690)</u>	
Net current liabilities			<u>(59,603,649)</u>		<u>(57,100,074)</u>
Total assets less current liabilities			169,457,249		169,518,031
Provisions for liabilities and charges	9		<u>(43,580,073)</u>		<u>(44,715,891)</u>
Net assets			<u>125,877,176</u>		<u>124,802,140</u>
Capital and reserves					
Called up equity share capital	10		435,130,000		435,130,000
Equity reserves					
Profit and loss account - (deficit)	11		<u>(309,252,824)</u>		<u>(310,327,860)</u>
Shareholders' funds			<u>125,877,176</u>		<u>124,802,140</u>

The notes on pages 5 to 11 form part of this balance sheet.

The financial statements were approved by the Board of Directors on 30 June 2000 and signed on its behalf by :



N. Latham
Director

Notes to accounts
31 December 1999

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) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified for the revaluation of certain fixed assets.

(b) Basis of preparation

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

(c) 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 PLC.

(d) Turnover

Turnover, which includes inter company trading, represents management fees, net of VAT, and arises wholly within the United Kingdom.

(e) Leased assets

Leased assets are held under operating leases and the annual rents are charged wholly to the profit and loss account.

(f) 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.

(g) Fixed asset investments

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

Shares in associated undertakings are stated at the company's share of their net asset value. Other investments are stated at cost less amounts written off.

(h) Revaluation reserve

Surpluses and 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.

(i) Pensions

The expected cost to the company of pensions in respect of defined benefit and defined contribution pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

Notes to accounts (continued)
31 December 1999

2. Turnover
Continuing operations

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
United Kingdom	<u>200,000</u>	<u>385,842</u>

3. Operating expenses (net)

Included in other operating expenses are items relating to:

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Amounts written off investments in subsidiary undertakings not required	2,442,793	5,036,405
Amount written off unlisted investments	(55,000)	-
Provision for losses of subsidiary undertakings not required/(required)	1,047,356	(3,967,616)
Provision for losses of associated undertakings not required	26,722	1,311,169

4. Interest payable and similar charges

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Interest payable to fellow group undertakings	<u>13,124,052</u>	<u>24,081,685</u>

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 1999

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Auditors' remuneration		
Audit work	30,000	30,000
Operating lease rentals		
Motor vehicles	<u>17,849</u>	<u>53,639</u>
Staff costs including directors' emoluments (note 5(a)):		
Wages and salaries	635,293	689,995
Social security costs	31,844	65,430
Other pension costs	<u>11,120</u>	<u>37,157</u>
	<u>678,257</u>	<u>792,582</u>

The average monthly number, including executive directors, employed by the company during the year was 7 (1998 - 11).

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 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 in the consolidated financial statements of Kvaerner PLC.

(a) Directors' emoluments

	Year Ended 31 December 1999 £	Year ended 31 December 1998 £
Aggregate emoluments:		
Executives (including pension contributions to defined benefit schemes)	242,692	509,916
Compensation for loss of office	<u>297,683</u>	<u>-</u>
	<u>540,375</u>	<u>509,916</u>

There were two directors (1998 - 3) who were members of defined benefit pension schemes.

The remuneration of the highest paid director was £361,334, (1998 - £237,000) including compensation for loss of office £224,534. There were no company pension contributions on his behalf (1998 - £ Nil).

Trafalgar House Property Limited

Notes to accounts (continued)

31 December 1999

6. 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.

There is no potential liability to deferred taxation.

7. Fixed assets - Investments

	31 December 1999 £	31 December 1998 £
Shares in subsidiary undertakings	229,060,895	226,618,102
Shares in associated undertakings	2	2
Other - unlisted	1	1
	<u>229,060,898</u>	<u>226,618,105</u>

In the opinion of the directors the aggregate value of investments is not less than that shown in the balance sheet.

Subsidiary Undertakings:

	£
At 1 January 1999 (cost £418,289,502)	226,618,102
Amounts written off no longer required	<u>2,442,793</u>
At 31 December 1999 (cost £418,289,502)	<u>229,060,895</u>

Listed below are the principal subsidiary undertakings. These subsidiary undertakings are wholly-owned, incorporated in Great Britain, registered in England and Wales and carry on their activities of property investment and development in the country of incorporation.

Broadextra Limited
 Chiswick Park Limited
 Davy Monk Developments Limited
 Davy Property Holdings Limited
 Davy Property Investments Limited
 Goldquill Investments Limited
 Goldquill Properties Limited
 Gunnersbury and Chiswick Estates Limited
 Kvaerner Estates Limited
 Nativesafe Limited
 Marston House PLC
 Trafalgar House Developments Limited
 Trafalgar House Brooklands Limited
 Trafalgar House Business Parks Limited
 Trafalgar House Management Limited

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 1999

7. Fixed assests - investments (continued)

Associated undertakings:	£
At 1 January 1999 (cost £260,000) and 31 December 1999 (cost £260,000)	<u>2</u>

Listed below are the associated undertakings, which are incorporated in Great Britain, registered in England and Wales and carry on their business of property development in the country of incorporation.

	Percentage held
St. Mary Axe Developments Limited	50
Lee Valley Developments Limited	50
	£
Unlisted investments	
At 1 January 1999 (cost £1,045,000)	1
Additions	55,000
Amounts written off to profit and loss account	<u>(55,000)</u>
At 31 December 1999 (cost £2,000,000)	<u>1</u>

8. Debtors due within one year

	31 December 1999 £	31 December 1998 £
Amounts owed by immediate parent undertaking	232,437,489	367,487,754
Amounts owed by subsidiary undertakings	37,100,182	39,022,017
Amounts owed by fellow subsidiary undertakings	34,883,754	29,887,504
Amounts owed by associated undertakings	20,496,381	20,488,459
Other debtors	25	-
Prepayments and accrued income	37,995	24,550
Taxation and social security	99,131	236,406
	<u>325,054,957</u>	<u>457,146,690</u>

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 1999

9. Provisions for Liabilities and Charges

	£
At 1 January 1999	44,715,891
Provisions for deficiencies of assets of subsidiary and associated undertakings no longer required	(1,074,078)
Utilised during year in respect of onerous leases	<u>(61,740)</u>
At 31 December 1999	<u>43,580,073</u>

Analysis:

Provision for deficiency of assets of subsidiary undertakings	22,510,297
Provision for deficiency of assets of associated undertakings	20,495,043
Provision for future costs in respect of onerous leases	<u>574,733</u>
	<u>43,580,073</u>

It is anticipated that, of the provision for onerous leases of £574,733, £188,125 will be utilised in the period from the balance sheet date to December 2001. Due to the nature of the remaining £386,608 the timing of the utilisation of this amount is uncertain.

10. Called up equity share capital

	31 December 1999	31 December 1998	31 December 1999	31 December 1998
	£	£	£	£
2,175,650,000 ordinary shares of 20p each	<u>435,130,000</u>	<u>435,130,000</u>	<u>435,130,000</u>	<u>435,130,000</u>

11. Reserves

	Profit and Loss Account £
At 1 January 1999 - (deficit)	(310,327,860)
Retained profit for the financial year	<u>1,075,036</u>
At 31 December 1999 - (deficit)	<u>(309,252,824)</u>

12. Commitments

Annual commitments under non cancellable operating leases are as follows:

	31 December 1999	31 December 1998
	£	£
Motor vehicles:		
In respect of leases expiring within one year	-	8,832
Between 2 and 5 years	<u>-</u>	<u>35,328</u>