

Trafalgar House Property Limited

Financial statements 31 December 2001
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 2001.

Principal activities and business review

The Company's principal activity is as a holding company for subsidiaries engaged in real estate activities.

Results and dividend

The results for the year are set out in the profit and loss account on page 3. Retained losses of £3,985,916 (2000 – profit £13,728,431) have been transferred to reserves.

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

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' 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 under 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.

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

Rufus 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.

Trafalgar House Property Limited

Independent auditors' report to the members of Trafalgar House Property Limited

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

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. A. Auditor

2 July 2002

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

Trafalgar House Property 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	-	50,000
Other operating expenses (net)	3	3,217,432	20,834,395
		<hr/>	<hr/>
Operating profit - continuing operations		3,217,432	20,884,395
Income from shares in group undertakings		-	33,848
Interest receivable and similar income	4	2,123,865	2,834,558
Interest payable and similar charges	5	(9,327,213)	(10,024,370)
(Loss)/profit on ordinary activities before taxation	6	(3,985,916)	13,728,431
Taxation - on (loss)/profit on ordinary activities	7	<hr/>	<hr/>
		-	-
Retained (loss)/profit for the financial year	13	<u>(3,985,916)</u>	<u>13,728,431</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 (loss)/profit for the current/prior financial year. Accordingly, a statement of total recognised gains or 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.

Trafalgar House Property Limited

Balance Sheet at 31 December 2001

	Note	31 December 2001		31 December 2000	
		£	£	£	£
Fixed assets					
Investments	8		253,525,548		244,536,272
Current assets					
Debtors due within one year	9	269,282,666		330,920,218	
Cash at bank and in hand	10	<u>452,046</u>		<u>2,599,371</u>	
		<u>269,734,712</u>		<u>333,519,589</u>	
Creditors: Amounts falling due within one year:					
Amounts owed to intermediate parent					
Undertaking		(2,345,617)		(2,345,617)	
Amounts owed to subsidiary					
undertakings		(222,787,297)		(186,929,242)	
Amounts owed to fellow subsidiary					
undertakings		(139,489,640)		(211,791,350)	
Accruals and deferred income		<u>(277,433)</u>		<u>(437,404)</u>	
		<u>(364,899,987)</u>		<u>(401,503,613)</u>	
Net current liabilities			(95,165,275)		(67,984,024)
Total assets less current liabilities			158,360,273		176,552,248
Provisions for liabilities and charges	11		<u>(22,740,582)</u>		<u>(36,946,641)</u>
Net assets			<u>135,619,691</u>		<u>139,605,607</u>
Capital and reserves					
Called up equity share capital	12		435,130,000		435,130,000
Profit and loss account - (deficit)	13		<u>(299,510,309)</u>		<u>(295,524,393)</u>
Equity shareholders' funds			<u>135,619,691</u>		<u>139,605,607</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 2 July 2002 and signed on its behalf by:

Rufus Laycock
R. LAYCOCK
Director

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 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 ASA.

(d) 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 14.

(e) Turnover

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

(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.

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2001

2. Turnover Continuing operations

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
United Kingdom	-	50,000

3. Operating expenses (net) Included in other operating expenses are items relating to:

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Amounts written off investments in subsidiary undertakings (required)/not required	(10,981,279)	16,086,047
Provision for losses of subsidiary undertakings not required	13,758,625	6,505,893
Provision for losses of associated undertakings not required	38	202

4. Interest receivable and similar income

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Amounts derived from group undertakings	2,031,192	2,691,714
Other	92,673	142,844
	<u>2,123,865</u>	<u>2,834,558</u>

5. Interest payable and similar charges

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Interest payable to fellow group undertaking	<u>9,327,213</u>	<u>10,024,370</u>

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2001

6. (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Auditors' remuneration		
Audit work	-	18,000
Operating lease rentals		
Motor vehicles	-	4,699

There were no employees of the Company during the year (2000 - Nil). Administration expenses and auditors remuneration were borne by Kvaerner Estates Limited, a subsidiary undertaking.

None of the Directors received any emoluments from the Company during the year (2000 - £Nil).

7. Taxation - on (loss)/profit 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.

8. Fixed assets - Investments

	31 December 2001 £	31 December 2000 £
Shares in subsidiary undertakings	253,525,545	244,536,269
Shares in associated undertakings	2	2
Other - unlisted	1	1
	<u>253,525,548</u>	<u>244,536,272</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 2001 (cost £416,535,810)	244,536,269
Additions	20,000,000
Liquidations during the year	(29,445)
Amounts written off	<u>(10,981,279)</u>
At 31 December 2001 (cost £436,504,305)	<u>253,525,545</u>

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2001

8. Fixed assets - Investments (continued)

In a prior year, one of the company's subsidiaries, Trafalgar House Developments Limited, made a profit on the disposal of the Baltic Exchange which was based on a sales price computed by an independent surveyor. There may be an adjustment (either upwards or downwards) to this sales price when the building is eventually constructed and finally measured (expected in 2003 or 2004). External professional advice is of the opinion that a reduction in the sales price is a remote possibility and, as a consequence, the Directors have therefore not provided for any such reduction.

Listed below are the Company's subsidiary undertakings. These subsidiary undertakings are, unless otherwise stated, wholly-owned, incorporated in Great Britain and carry on their activities in the country of incorporation.

	Activity
Albion Land Holdings Limited	Real estate
Arrowbarn Limited	In members' voluntary liquidation
Beric Developments Limited	Dormant
Broadextra Limited	In members' voluntary liquidation
Brookmount Trocoll Limited	Real estate
Builders Amalgamated Co. Limited	Dormant
Chiswick Park Limited	Not trading
Covenant Guarantors Limited	Dormant
Cowley Park Developments Limited	Not trading
Davy Monk Developments Limited	Dormant
Davy Property Holdings Limited	Real estate
Davy Property Investments Limited	Not trading
Goldquill Investments Limited	Dormant
Goldquill Properties Limited	Dormant
Gunnersbury & Chiswick Estates Limited	Dormant
Hayward Industrial Developments (Birmingham) Limited	Dormant
Industrial Development (Halesowen) Limited	Dormant
Kvaerner Estates Limited	Real estate
Kvaerner International S.A. (France)	Real estate
Landsbrook Estates Limited	Not trading
Marston House Limited	Not trading
Nativesafe Limited	Not trading
Oakimber Limited	Not trading
St. Brides Property Company Limited	Not trading
T.H.M. Developments Limited	Dormant
Trafalgar House Baltic Limited	Dormant
Trafalgar House Brooklands Limited	Intermediate holding company
Trafalgar House Business Parks Limited	Real estate
Trafalgar House Developments Limited	Real estate
Trafalgar House Development Management Limited	In members' voluntary liquidation
Trafalgar House (Industrial) Developments Limited	In members' voluntary liquidation
Trafalgar House Management Limited	Not trading
Trollope & Colls Developments Limited	In members' voluntary liquidation
Uptonheath Properties Limited	Dormant
Wine Office Court Limited	Dormant

Associated undertakings:

£

At 1 January 2001 (cost £260,000) and 31 December 2001 (cost £260,000)

2

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2001

8. Fixed Assets - Investments (continued)

Listed below are the associated undertakings, which are incorporated in Great Britain, registered in England and Wales. Both of these associated undertakings were previously engaged in property development. In each case the associated undertakings no longer pursue development opportunities.

	Percentage held
St. Mary Axe Developments Limited	50
Lee Valley Developments Limited	50
	£
Unlisted investments	
At 1 January 2001 (cost £2,000,000) and 31 December 2001 (cost £2,000,000)	<u>1</u>

9. Debtors due within one year

	31 December 2001 £	31 December 2000 £
Amount owed by immediate parent undertaking	157,874,730	232,068,543
Amounts owed by subsidiary undertakings	63,037,589	44,640,657
Amounts owed by fellow subsidiary undertakings	27,861,906	33,439,178
Amounts owed by associated undertakings	20,496,381	20,496,381
Prepayments and accrued income	687	26,851
Taxation and social security	11,373	248,608
	<u>269,282,666</u>	<u>330,920,218</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.

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2001

11. Provisions for Liabilities and Charges

	£
At 1 January 2001	36,946,641
Provisions for deficiencies of assets of subsidiary and associated undertakings no longer required	(13,758,663)
Not required in respect of onerous leases	(386,608)
Utilised during year in respect of onerous leases	(60,788)
At 31 December 2001	<u>22,740,582</u>

Analysis:

Provision for deficiency of assets of subsidiary undertakings	2,245,779
Provision for deficiency of assets of associated undertakings	20,494,803
Provision for future costs in respect of onerous leases	-
	<u>22,740,582</u>

12. Called up equity share capital

	Authorised		Allotted and Fully Paid	
	31 December 2001	31 December 2000	31 December 2001	31 December 2000
	£	£	£	£
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>

13. Reserves

	Profit and Loss Account £
At 1 January 2001 - (deficit)	(295,524,393)
Retained loss for the financial year	(3,985,916)
At 31 December 2001 - (deficit)	<u>(299,510,309)</u>

14. Ultimate holding 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.