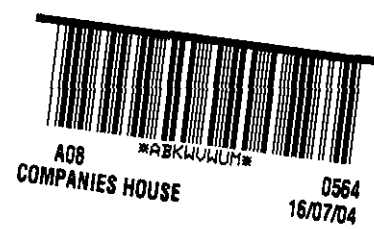


**Aker Kvaerner Offshore Partner Limited**

**Directors' report and financial  
statements**

**Registered number 1532141**

**31 December 2003**



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## Directors' report

The directors present their annual report and audited financial statements for the year to 31 December 2003.

### Principal activities

The principal activities of the company are the provision of offshore oil and gas engineering design, technical services and provision of production, maintenance and construction personnel to clients in the UK and abroad.

### Business review

On 31 December 2003, the company acquired the Offshore Division of Kvaerner Oil and Gas Limited, thus completing the legal restructuring of the UK group companies within the Oil and Gas Division. This acquisition will considerably bolster the trading capacity of the company.

On 31 December 2003, the company transferred all of its tangible fixed assets to Aker Kvaerner Business Partner Limited. The transfer was at book value which the directors consider to be equal to fair value.

The results of the company for the year were disappointing despite the increase in turnover to £30,972,000 (2002: £24,374,000). The loss on ordinary activities of £501,000 has primarily arisen due to utilised property costs following the merger of Aker Maritime and Kvaerner Oil & Gas in 2002 which undermined the otherwise profitable trading activities.

Market conditions for 2004 are expected to be steady and in January the company secured two new long term contracts which confirm the Directors' optimism for the year ahead.

### Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

C Bird	(resigned 1 December 2003)
OH Brown	
R Buchan	
W Gifstad	
T Gram	
H Gulaker	(appointed 2 December 2003)
DL Murphy	
N Traedal	

None of the directors had any interests in the share capital of the company or other Group companies at any time during the year to be disclosed in accordance with the Companies Act 1985. The directors are exempt from disclosing, if any, interests in the shares of the ultimate parent company, Kvaerner ASA (formerly Aker Kvaerner ASA), 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.

### Proposed dividend

The directors do not recommend the payment of a dividend (2002: £nil).

### Employee consultation

The company places considerable value on the involvement of its employees.

## **Directors' report** *(continued)*

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £926.

### **Auditors**

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**R Buchan**  
*Director*

68 Hammersmith Road  
London  
W14 8YW  
24 June 2004

## 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 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;
- 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.



37 Albyn Place  
Aberdeen  
AB10 1JB  
United Kingdom

## **Independent auditors' report to the members of Aker Kvaerner Offshore Partner Limited**

We have audited the financial statements on pages 5 to 14.

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 opinions we have formed.

### **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 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 LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

24 June 2004

## Profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
<b>Turnover</b>	2	<b>30,972</b>	24,374
Cost of sales		(27,911)	(24,890)
		<hr/>	<hr/>
Gross profit (loss)		3,061	(516)
Administrative and selling expenses		(3,426)	(2,809)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(365)</b>	(3,325)
Profit on disposal of tangible assets		-	38
Interest receivable and similar income		22	26
Interest payable and similar charges	6	(158)	(269)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	3-5	<b>(501)</b>	(3,530)
Tax on loss on ordinary activities	7	(95)	(830)
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation retained for the financial year</b>	14	<b>(596)</b>	(4,360)
		<hr/>	<hr/>

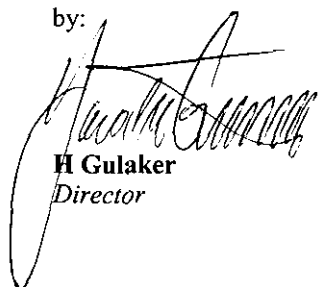
All amounts relate to continuing operations.

There are no recognised gains and losses other than the results for the financial years reported above.

**Balance sheet**  
 at 31 December 2003

	Note	2003	2002
		£000	£000
<b>Fixed assets</b>			
Tangible assets	8	-	343
Goodwill	9	497	-
Investments	10	1,724	1,724
		<u>2,221</u>	<u>2,067</u>
<b>Current assets</b>			
Debtors	11	37,099	13,716
Cash at bank and in hand		-	1,704
		<u>37,099</u>	<u>15,420</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(36,169)</u>	<u>(13,740)</u>
<b>Net current assets</b>		<u>930</u>	<u>1,680</u>
<b>Total assets less current liabilities</b>		<u>3,151</u>	<u>3,747</u>
<b>Net assets</b>		<u>3,151</u>	<u>3,747</u>
<b>Capital and reserves</b>			
Called up share capital	13	3,000	3,000
Profit and loss account	14	151	747
		<u>3,151</u>	<u>3,747</u>
<b>Shareholders' funds</b>			
Equity		251	847
Non-equity		2,900	2,900
		<u>3,151</u>	<u>3,747</u>
<b>Total shareholders' funds</b>	15	<u>3,151</u>	<u>3,747</u>

These financial statements were approved by the board of directors on 24 June 2004 and were signed on its behalf by:

  
**H Gulaker**  
 Director



## Notes

(forming part of the financial statements)

### 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.

#### *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 accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is a wholly owned subsidiary of Aker Offshore International Limited, a company incorporated in England and Wales. The ultimate controlling party is Kvaerner ASA (formerly Aker Kvaerner ASA) and the company is included in the consolidated financial statements of Kvaerner ASA which are publicly available. Consequently the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Kvaerner ASA, within which this company is included, can be obtained from the address given in note 19.

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised and amortised to nil by equal annual instalments over its estimated useful life of 20 years from the date of acquisition.

#### *Fixed assets and depreciation*

Depreciation is provided so as to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and equipment	-	5 years
----------------------------------	---	---------

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension costs*

The company operates defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the company in independently administered schemes. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

#### *Turnover*

Turnover represents work performed by the company in respect of technical, engineering design and engineering personnel services.

### 2 Analysis of turnover

	2003	2002
	£000	£000
<i>By geographical market</i>		
United Kingdom	30,162	23,925
Europe	792	414
Rest of world	18	35
	<hr/>	<hr/>
	30,972	24,374
	<hr/>	<hr/>

### 3 Loss on ordinary activities before taxation

	2003	2002
	£000	£000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
- audit	20	21
- other services	5	77
Depreciation and other amounts written off tangible fixed assets	232	170
Operating lease rentals:		
Land and buildings	1,105	876
Other	286	222
Exchange losses	7	9
	<hr/>	<hr/>

**Notes** (continued)

**4 Remuneration of directors**

	2003 £000	2002 £000
Directors' emoluments	68	25
Company contributions to money purchase schemes	4	-
	<u>72</u>	<u>25</u>

The aggregate of emoluments of the highest paid director was £60,000 (2002: £18,000) and company pension contributions of £4,000 (2002: £nil) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2003	2002
Money purchase schemes	1	-

**5 Staff numbers and costs**

The average number of persons (including directors) employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Operations	300	311
Administration	20	36
	<u>320</u>	<u>347</u>

The aggregate payroll costs of these persons were:

	2003 £000	2002 £000
Wages and salaries	15,232	14,834
Social security costs	1,714	1,571
Pension costs	467	482
	<u>17,413</u>	<u>16,887</u>

**6 Interest payable and similar charges**

	2003 £000	2002 £000
Interest on bank overdraft	129	11
Interest on late payment of tax	-	246
Other interest payable	-	12
Interest on Group loans	29	-
	<u>158</u>	<u>269</u>

## Notes (continued)

### 7 Taxation

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-
Adjustments in respect of prior years	95	(495)
	<hr/>	<hr/>
	95	(495)
<i>Foreign tax</i>		
Adjustments in respect of prior years	-	1,325
	<hr/>	<hr/>
Current tax being tax on loss on ordinary activities	95	830
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (2002: *higher*) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003 £000	2002 £000
Loss on ordinary activities before taxation	(501)	(3,530)
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	(150)	(1,059)
<i>Effects of:</i>		
Group relief for which no payment is made	199	-
Difference between capital allowances for year and depreciation	24	(23)
Other timing differences	(90)	10
Expenditure not deductible for tax	17	673
Utilisation of tax losses	-	399
Adjustment in respect of prior year UK corporation tax	95	(495)
Adjustment in respect of foreign tax	-	1,325
	<hr/>	<hr/>
Total current tax charge (see above)	95	830
	<hr/>	<hr/>

#### *Factors affecting future tax charges*

Where possible, future taxable income in this company will be sheltered from tax by group relief from other group companies.

**Notes** *(continued)*

**8 Tangible fixed assets**

	<b>Fixtures, fittings and equipment £000</b>
<i>Cost</i>	
At beginning of year	913
Disposals	(361)
Transfers to Group companies	(552)
	<hr/>
At end of year	-
	<hr/>
<i>Depreciation</i>	
At beginning of year	570
Charge for year	232
Disposals	(361)
Transfers to Group companies	(441)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2003	-
	<hr/>
	<hr/>
At 31 December 2002	343
	<hr/>

**9 Intangible fixed assets**

	<b>Goodwill £000</b>
<i>Cost</i>	
Additions	497
	<hr/>

On 31 December 2003, the company acquired the Offshore Division of Kvaerner Oil & Gas Limited. Net assets of £15,149,000 were acquired at a fair value of £15,646,000 giving rise to goodwill of £497,000.

**Notes** *(continued)*

**10 Fixed asset investments**

	Shares in group undertakings £000
Cost at beginning and end of year	1,724

Details of the company's subsidiary undertakings are as follows:

Subsidiary undertaking	Country of registration	Percentage held	Nature of business
Aker Oil and Gas Limited	England	100% ordinary £1 shares	Engineering services

**11 Debtors**

	2003 £000	2002 £000
Trade debtors	27,147	10,750
Other debtors	14	49
Amounts owed by group undertakings	8,980	2,694
Prepayments and accrued income	958	223
	<u>37,099</u>	<u>13,716</u>

Included in amounts owed by group are interest bearing loans amounting to £2,533,000. The loans bear interest at 1% above the base lending rate. Subsequent to the year end, the loans have been received in full.

At the year end there was a potential deferred tax asset of £74,000 (2002: £282,000) calculated at 30% for which no credit has been taken in the accounts. The amount is analysed as follows:

	2003 £000	2002 £000
Difference between accumulated depreciation and capital allowances	-	118
Other timing differences	74	164
	<u>74</u>	<u>282</u>

The deferred tax asset has not been recognised due to the uncertainty of the ability of the company to recover this asset in the foreseeable future.

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	3,314	-
Trade creditors	7,981	6,408
Amounts owed to group undertakings	18,847	5,186
Corporation tax	680	910
Other taxation and social security	2,353	427
Other creditors	2,254	433
Accruals and deferred income	740	376
	<u>36,169</u>	<u>13,740</u>

The bank overdraft is secured by cross guarantees with fellow group undertakings.

Included in amounts owed to group undertakings is an interest bearing loan amounting to £15,646,000 in respect of the acquisition referred to in note 9. The loan bears interest at 1% above the base lending rate. Subsequent to the year end, the loan has been paid in full.

### 13 Called up share capital

	2003 £000	2002 £000
<i>Authorised, allotted, issued and fully paid:</i>		
Equity shares		
100,000 ordinary shares of £1 each	100	100
Non-equity shares		
2,900,000 redeemable ordinary shares of £1 each	2,900	2,900
	<u>3,000</u>	<u>3,000</u>

The redeemable ordinary shares of £1 are redeemable at par from 1 January 2001 at the option of the company upon giving the shareholders three months notice in writing. No such notice has been given, therefore the redeemable ordinary shares continue to be in issue.

### 14 Profit and loss account

	£000
At beginning of year	747
Retained loss for the year	(596)
	<u>151</u>
At end of year	

**Notes** *(continued)*

**15 Reconciliation of movements in shareholders' funds**

	2003 £000	2002 £000
Profit for the financial year being net addition to shareholders' funds	(596)	(4,360)
Shareholders' funds at beginning of year	3,747	8,107
Shareholders' funds at end of year	3,151	3,747

**16 Commitments**

- (a) The company had no capital commitments at the end of either financial year, which were contracted for but for which no provision has been made.
- (b) The company has minimum annual commitments under operating leases which expire as follows:

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	4	-	4
More than five years	-	-	782	-
	-	4	782	4

**17 Pension schemes**

The company operates defined contribution pension schemes. The assets of the schemes are held separately from the company in independently administered funds. The pension cost charge represents contributions payable by the company to the schemes and amounts to £467,000 (2002: £482,000).

**18 Ultimate and immediate parent companies**

The company is a wholly owned subsidiary of Aker Offshore International Limited, registered in England and Wales. The ultimate parent company is Kvaerner ASA (formerly Aker Kvaerner ASA) which is incorporated in Norway. The largest group in which the results of the company are consolidated is that headed by Kvaerner ASA. The consolidated accounts of this company are available to the public and may be obtained from Hammersmith House, 68 Hammersmith Road, London, W14 8YW.

The smallest group in which they are consolidated is that headed by Aker Offshore International Limited. The consolidated accounts of this company are available to the public and may be obtained from Hammersmith House, 68 Hammersmith Road, London, W14 8YW.