

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Company No. 1896128

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Directors' Report and Financial Statements for the Year Ended 31 December 2005

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KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2005

Principal activities

The principal activity of the Company is the management of projects for the design, construction and commissioning of plants for the oil, petrochemical, pharmaceutical and process industries.

Business review

The results for the year are set out in the profit and loss account on page 6

The directors consider that the level of business and the financial position at 31 December 2005 were satisfactory given the current market conditions. Financial prospects and turnover are dependent upon the nature of contracts undertaken, and may fluctuate from accounting period to accounting period.

Dividend

The directors do not propose to recommend the payment of any dividends on the issued Ordinary Share Capital of the Company in respect of the year ended 31 December 2005 (2004 - £Nil)

Directors

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

W P M van der Zande	(appointed 27/05/05)
M Leggett	(resigned on 16/02/06)
N Tay	(resigned on 27/05/05)
D Skindlo	(appointed on 16/02/06)
P R van Essen	(appointed on 01/01/06)

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 in terms of the Company's 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 the United Kingdom.

Policy on payment of suppliers

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is the Company's 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.

The number of days billings from suppliers outstanding at 31 December 2005 was 101 (2004:25). There were some high value invoices under query at the year end, which distorted the 2005 figure.

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Directors' Report (continued)

Political and Charitable Contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

Auditors

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

By order of the Board

W P M. van der Zande

P. R van Essen

Director
One Port Way
Port Solent
Portsmouth
Hampshire
PO6 4TZ

Date: June, 11 2007

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

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.

Independent Auditors' Report to the members of Kvaerner Construction (Stevenage) Limited

We have audited the financial statements of Kvaerner Construction (Stevenage) Limited for the year ended 31 December 2005 which comprise a Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Southampton
Registered Auditor

Date: 12 June 2007

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Profit and Loss Account for the year ended 31 December 2005

	<u>Notes</u>	<u>Year ended</u> <u>31.12.2005</u> £000	<u>Year ended</u> <u>31 12 2004</u> £000
Turnover	2	136	5,350
Cost of sales		<u>(978)</u>	<u>(7,227)</u>
Gross loss		(842)	(1,877)
Other net operating income		<u>(28)</u>	<u>141</u>
Operating loss		(870)	(1,736)
Interest receivable and similar income	5	<u>61</u>	<u>16</u>
Loss on ordinary activities before taxation	3-4	(809)	(1,720)
Tax on loss on ordinary activities	6	<u>(14)</u>	<u>511</u>
Loss for the financial year retained and transferred to reserves	12	<u><u>(823)</u></u>	<u><u>(1,209)</u></u>

The notes on pages 8-14 form part of these financial statements

All of the Company's activities in the above two financial years are derived from continuing operations

There are no recognised gains or losses in either year other than the loss for that year.

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Balance Sheet as at 31 December 2005

	<u>Notes</u>	<u>31.12.2005</u> £000	<u>31.12.2004</u> £000
CURRENT ASSETS			
Debtors	7	7,297	4,055
Cash at bank and in hand	8	2,054	1,990
		9,351	6,045
CREDITORS: amounts falling due within one year	9	(11,068)	(6,843)
NET CURRENT (LIABILITIES)/ASSETS		(1,717)	(798)
Provision for liabilities and charges	10	-	(96)
NET (LIABILITIES)/ASSETS		(1,717)	(894)
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	(1,717)	(894)
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	13	(1,717)	(894)

The notes on pages 8-14 form part of these financial statements

These financial statements were approved by the Board of Directors on June 11 2007 and were signed on its behalf by

W P M van der Zande
Director

P R van Essen
Director

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes to 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

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard (FRS) 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Aker Kvaerner Projects Ltd, 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 (or investees of the group qualifying as related parties). The consolidated financial statements of Aker Kvaerner E & C Group AS, within which this Company is included, can be obtained from the address in note 14

(b) Going Concern

Notwithstanding current period losses of £823,000 and net liabilities at the year end of £1,717,000, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reason. The directors have prepared cash flow projections which indicate that there is sufficient cash available, for at least 12 months from the date of approval of these financial statements, which will enable the company to repay its debts as and when they fall due

(c) 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 into sterling at the rates ruling at the year end except where rates of exchange are fixed under contractual arrangements. Exchange differences are taken to the profit and loss account when they arise

(d) Turnover

Turnover represents the estimated sales value of work done (excluding value added tax) in the year in accordance with long term contract accounting. The percentage of completion method is followed in accounting for long-term contracts. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. Losses on contracts are fully recognised when identified.

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

1. Accounting policies (continued)

(e) Long-term contracts

Amounts recoverable on contracts are valued at anticipated net sales value after provision for contingencies and anticipated future losses on contracts. Claims are included in the valuation of contracts and credited to the profit and loss account only when entitlement has been established. Small works are valued at the lower of cost plus attributable overheads and net sales value.

Cash received on contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions for liabilities and charges. Immediate provision is made for all foreseeable losses.

(f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of 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.

Overseas taxation is based on profits arising from overseas income.

2. Analysis of turnover

	Year Ended 31.12.2005 £000	Year Ended 31.12.2004 £000
By geographical area:		
Asia/Middle East	263	2,758
Continental Europe	(127)	2,592
	<u>136</u>	<u>5,350</u>

3. Loss on ordinary activities before taxation

Audit fees are paid by the parent company Aker Kvaerner Projects Limited. Details of the audit fee can be found in the financial statements of Aker Kvaerner Projects Limited.

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

4. Employees' and directors' emoluments

No emoluments were receivable by the directors of the Company (2004 - £Nil) All directors are remunerated and employed by other Group companies

The Company had no other employees (2004 - Nil)

5. Interest receivable and similar income

	Year Ended <u>31.12.2005</u> £000	Year Ended <u>31 12 2004</u> £000
Bank Interest	<u>61</u>	<u>16</u>

6. Taxation

Analysis of credit in period

	Year Ended <u>31.12.2005</u> £000	Year Ended <u>31 12 2004</u> £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	39
<i>Foreign tax</i>	<u>(17)</u>	<u>(5)</u>
Total Current tax	(17)	34
<i>Deferred tax</i>		
<i>Origination of timing differences</i>	<u>3</u>	<u>477</u>
Tax on loss on ordinary activities	<u>(14)</u>	<u>511</u>

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2004. lower) than the standard rate of corporation tax in the UK (30%, 2004 30%) The differences are explained below

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

6. Taxation (continued)

	<u>Year Ended</u> <u>31.12.2005</u> £000	<u>Year Ended</u> <u>31 12 2004</u> £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(809)</u>	<u>(1,720)</u>
Current tax at 30% (2004: 30%)	(243)	(516)
<i>Effects of</i>		
Overseas tax	17	5
Unutilised tax losses	243	477
	<u> </u>	<u> </u>
Total current tax	<u>(17)</u>	<u>(34)</u>

Factors affecting future tax charges

The company has tax losses carried forward totalling £2,417,617. The Deferred tax asset has been recognised in respect of £1,476,666 of the losses.

Deferred tax	
At beginning of year	477
Transfer of Group Relief	(34)
At end of year	<u>443</u>

The deferred tax asset at the year end of £443,000 (Period ended 31st December 2004 - £477,000) has been recognised in these accounts as the directors believe that sufficient profits will arise in the foreseeable future against which they can be realised. This asset, calculated at 30% along with unrecognised amount is analysed as follows:

	<u>31.12.2005</u>		<u>31 12.2004</u>	
	Recognised	Unrecognised	Recognised	Unrecognised
	£000	£000	£000	£000
Tax Losses	<u>443</u>	<u>282</u>	<u>477</u>	<u>30</u>
	<u>443</u>	<u>282</u>	<u>477</u>	<u>30</u>

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

7. Debtors

	<u>31.12.2005</u>	<u>31 12 2004</u>
	£000	£000
Trade debtors	2,320	2,114
Amounts recoverable on contracts	607	1,042
Other debtors	44	-
Accrued Income	-	3
Prepayments	3852	-
Deferred tax asset	443	477
Amounts owed by group undertakings		
- Parent and fellow subsidiary undertakings	<u>31</u>	<u>419</u>
	<u>7,297</u>	<u>4,055</u>

8. Cash at bank and in hand

Of the total cash and bank balance on the balance sheet, £1 8 million (2004 £1.4 million) are deposits held in bank sub-accounts that are part of a group pooling system. In consequence, to the extent that other Aker Kvaerner E & C Group AS companies have withdrawn amounts from the group pooling system, such amounts represent a receivable from the Aker Kvaerner E & C Group AS group.

9. Creditors – amounts falling due within one year

	<u>31.12.2005</u>	<u>31 12 2004</u>
	£000	£000
Payments received on account	4,247	-
Trade creditors	77	694
Amounts owed to group undertakings		
- Parent and fellow subsidiary undertakings	6,588	4,485
Other creditors, taxation and social security	99	
Accruals and deferred income	<u>57</u>	<u>1,371</u>
	<u>11,068</u>	<u>6,843</u>

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

10. Provision for liabilities and charges

	<u>Contract Loss Provision</u> £000
At beginning of year	96
Released to P&L	<u>(96)</u>
At end of the year	<u>-</u>

The contract loss provision related to contracts where it was anticipated that the future costs would exceed the final contract turnover. The contract loss provision was released during 2005 as it was no longer required.

11. Share capital

	<u>31.12.2005</u> £	<u>31 12 2004</u> £
Authorised Equity 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid. Equity 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. Reserves

	<u>Profit and Loss Account</u> £000
As at 1 January 2005	(894)
Retained loss for the year	<u>(823)</u>
As at 31 December 2005	<u>(1,717)</u>

KVAERNER CONSTRUCTION (STEVENAGE) LIMITED

Notes (continued)

13. Reconciliation of movements in shareholders' funds

	<u>31.12.2005</u>	<u>31 12.2004</u>
	£000	£000
Loss for the year and net reduction in shareholders' funds	(823)	(1,209)
Opening shareholders' funds	<u>(894)</u>	<u>315</u>
Closing shareholders' (deficit)/funds	<u>(1,717)</u>	<u>(894)</u>

14. Ultimate parent undertaking

The Company's immediate parent company is Aker Kvaerner Projects Limited

The largest group in which the results of the Company are consolidated is that headed by The Resource Group TRG AS, incorporated in Norway. The smallest group in which they are consolidated is that headed by Aker Kvaerner E&C Group AS. The consolidated financial statements of Aker Kvaerner E&C Group AS are available to the public and may be obtained from 68 Hammersmith Road, London W14 8YW.

The Company's ultimate parent company is The Resource Group TRG AS which is incorporated in Norway. Throughout the year under review, The Resource Group TRG AS was controlled by Kjell Inge RØkke and his interests.