

Company No. 1904853

Cementation (Egypt) Limited

Report and Accounts

31 December 1999



Cementation (Egypt) Limited

Directors' Report

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 31 December 1999.

Principal Activities

The Company's principal activities are to carry out civil engineering, building, mining and other construction related work in Egypt. The company did not trade during the current or prior year.

Business Review

The Company is currently not seeking any new opportunities.

Dividends

The Directors do not propose to declare the payment of a dividend in respect of the year ended 31 December 1999 (1998 - £Nil).

Directors

The following persons were Directors of the Company during the year:

G.F. Clarke

M.E. Napier - Resigned 30/6/99

W.J. Dale - Appointed 30/6/99

Since the year end no changes have occurred.

Directors' interests

None of the Directors at 31 December 1999 had any interests in the share capital or debentures of the Company or any group company

Cementation (Egypt) Limited

Directors' Report (continued)

Auditors

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed at an extraordinary general meeting of the company held on 30 August 1991.

By Order of the Board



K.M. Murray

Secretary

23rd August 2000

Registered Office:

Maple Cross House

Denham Way

Maple Cross

Rickmansworth

Hertfordshire WD3 9AS

Cementation (Egypt) Limited

Directors' Responsibilities

Company law requires the Directors to prepare accounts 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 of the Company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Cementation (Egypt) Limited

Auditors' report

To the shareholder of Cementation (Egypt) Limited

We have audited the accounts on pages 5 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and auditors

As described on page 3, the company's Directors are responsible for the preparation of the accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, 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 accounts 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 accounts.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures set out in Note 10 relating to the post balance sheet events, strategic review and financing of the ultimate holding company, Kvaerner ASA, and its subsidiaries including Cementation (Egypt) Limited. 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 ongoing 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 accounts give a true and fair view of the state of affairs of the Company as at 31 December 1999 and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants & Registered Auditors

1 Surrey Street
London WC2R 2PS

23 August 2000

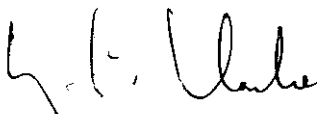
Cementation (Egypt) Limited

Balance Sheet at 31 December 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
Current assets			
Debtors	5	1,304,139	1,300,693
Cash at bank and in hand		10,081	13,527
		<u>1,314,220</u>	<u>1,314,220</u>
Creditors: Amounts falling due within one year	6	(110,099)	(110,099)
Net assets		<u>1,204,121</u>	<u>1,204,121</u>
Capital and reserves			
Called-up equity share capital	7	1,000,000	1,000,000
Profit and loss account	8	204,121	204,121
		<u>1,204,121</u>	<u>1,204,121</u>

The notes on pages 6 to 8 form an integral part of these accounts.

These accounts were approved by the Board of Directors on 23rd August 2000
and signed on its behalf by:


G.F. Clarke
Director

Cementation (Egypt) Limited

Notes to the accounts

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding year is set out below:

(a) Accounting convention

The accounts have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

(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 accounts of Kvaerner PLC (see note 11).

(c) Foreign currencies

Assets, liabilities and trading results denominated in foreign currencies are translated into sterling at the rates ruling at the period end except where rates of exchange are fixed under contractual arrangements. Other exchange differences are taken to the profit and loss account when they arise.

(d) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(e) Related party transactions

The Company has taken advantage of the exemption under the rules of FRS 8 not to disclose transactions with group entities.

2. Profit on ordinary activities before taxation

The audit fee in both years has been borne by the parent company.

3. Tax on profit on ordinary activities

There is no tax charge for the period (1998 - £Nil).

There is no potential liability to deferred taxation

4. Information regarding staff and Directors.

No staff were employed by the Company during the period (1998 - Nil).

No Director received any remuneration in respect of the period (1998 - £Nil).

Cementation (Egypt) Limited

Notes to the accounts (continued)

5. Debtors

	<u>1999</u>	<u>1998</u>
	£	£
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	1,300,239	1,300,239
Prepayments and accrued income	3,900	454
	<u>1,304,139</u>	<u>1,300,693</u>

6. Creditors: amounts falling due within one year

Amounts owed to fellow subsidiary undertakings	110,089	110,089
Other creditors	10	10
	<u>110,099</u>	<u>110,099</u>

7. Equity share capital

Authorised equity share capital:		
1,000,000 ordinary equity shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid equity share capital:		
1,000,000 ordinary equity shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

8. Reserves

	<u>Profit and Loss account</u>
	£
As at 1 January 1999	204,121
As at 31 December 1999	<u>204,121</u>

	<u>Year ended 31 December 1999</u>	<u>Year ended 31 December 1998</u>
	£	£
9. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	<u>1,204,121</u>	<u>1,204,121</u>
Closing shareholders' funds	<u>1,204,121</u>	<u>1,204,121</u>

Cementation (Egypt) Limited

Notes to the accounts (continued)

10. Contingencies, Post balance sheet events and strategic review and financing

Cementation (Egypt) Limited and other members of the Kvaerner ASA group are co-dependent on each other for funding support (see notes 5 and 6 for balances outstanding at year end). In this connection, it should be noted that in April 1999, Kvaerner ASA announced a far-reaching strategic restructuring with a view to returning the Group to profitable performance and significantly reducing group borrowings. The directors of the company are working with other members of the Kvaerner ASA group to implement the restructuring plan and to ensure adequacy of financing. The board of Kvaerner ASA has recommended a NOK 2.5 billion rights issue, which was approved at an Extraordinary General Meeting held on 18 June 2000. The group is also raising additional funds through asset disposals and securitisations, which are at an advanced stage.

The Kvaerner ASA group principal loan facilities contain certain financial covenants relating to gross borrowings, shareholders' equity and interest coverage. Certain of the accounting provisions created in connection with the restructuring programme relate to potential losses anticipated on the sale of the Kvaerner ASA group's shipbuilding activities. In its calculation of certain of the financial covenants, Kvaerner ASA has excluded the provision and is of the opinion that it is in compliance with these covenants.

Forecasts prepared by Kvaerner ASA group for the period ended 30 June 2001 assume the satisfactory completion of the rights issue referred to above and indicate that the group will be in compliance with the financial covenants, as interpreted above, for the period and these accounts have been prepared on this basis. The group expects to be able to operate within its facilities over the coming year and within those expected to be agreed when the group's bankers consider their renewal on renewal dates arising during this period. However, there can be variances between forecasts and actual results, and there can be no assurance over the Kvaerner ASA Group's ability to meet all covenants contained in its lending agreements or the lenders' willingness to extend waivers or amend terms to avoid any actual or anticipated breaches of such covenants.

The auditors' report on the 1999 accounts of Kvaerner ASA contained an emphasis of matter note referring to various uncertainties described in the notes to the accounts.

11. Ultimate parent company

Kvaerner Construction Group Limited heads the smallest group in which the results of the Company are consolidated.

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

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