

Kvaerner PLC

Subsidiary Company Statutory Accounts

31 December 1998

REDPATH DORMAN LONG LIMITED

97-026



# Redpath Dorman Long Limited

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Statement of Accounts for the year to 31 December 1998.

### **Business Review and Subsequent Events**

The company has not traded during the year. Accordingly a profit and loss account has not been prepared. On 13 April 1999 the parent company, Kvaerner ASA, announced a far reaching restructuring of group activities under which the structural steel business will either be sold or radically down scaled. Further details are given in Note 8 to the accounts.

### **Dividends**

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 1998 (1997 - £Nil).

### **Directors**

The following persons were directors of the company during the year:

P.J. Ladd	
J.V. Lorimer	Resigned 30 April 1999
B. Marley	Resigned 30 April 1999
M.R. Ross	Resigned 22 June 1999

Since the year end the following appointments have been made:

J. W. S. Fletcher	Appointed 26 May 1999
N. F. Hobson	Appointed 26 May 1999
J. R. Millard	Appointed 26 May 1999
A. Rae	Appointed 26 May 1999


### **Year 2000**

Kvaerner have instituted a group wide programme under the chairmanship of a senior executive to make sure that all business procedures, solutions, and systems are millennium compliant in due time, before the end of the millennium. This programme, taking into consideration commercial, legal and technological aspects, will include regular milestone reporting to group management and the Board. The costs associated with completing this programme will be met from ongoing operating resources.

### **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

  
N.F. Hobson  
Managing Director

23 August 1999

Registered Office  
PO Box 27  
Yarm Road  
Darlington  
Co Durham  
DL1 4DE

# Redpath Dorman Long 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 as at the end of the financial year and of the profit or loss of the company 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; 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.

# Redpath Dorman Long Limited

## AUDITORS' REPORT

### To the Members of Redpath Dorman Long Limited

We have audited the financial statements on pages 5 to 7 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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.

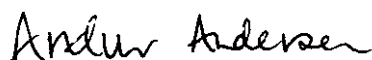
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 8 relating to the post balance sheet events, strategic review and financing of the ultimate holding company Kvaerner ASA, and its subsidiaries including Redpath Dorman Long Limited. In particular, we draw attention to the disclosure of uncertainties relating to the compliance of the Kvaerner ASA group with the covenants related to the new banking arrangements entered into since the year end. In view of the significance of these matters and their 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 1998 and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants & Registered Auditors  
Pearl Assurance House  
7 New Bridge Street  
Newcastle upon Tyne  
NE1 8BQ

23 August 1999

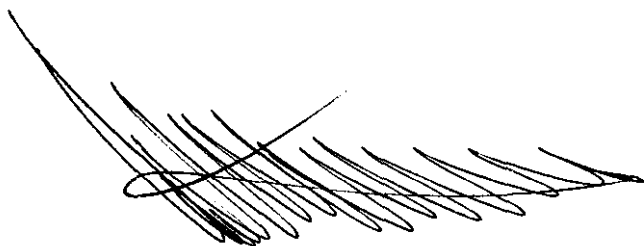
# Redpath Dorman Long Limited

## Balance Sheet at 31 December 1998

	<u>Notes</u>	<u>1998</u> <u>£000's</u>	<u>1997</u> <u>£000's</u>
<b>CURRENT ASSETS</b>			
Amounts owed by group undertakings		<u>23,005</u>	<u>23,005</u>
<b>NET ASSETS</b>		<u>23,005</u>	<u>23,005</u>
<b>CAPITAL &amp; RESERVES</b>			
Equity share capital	5	70,000	70,000
Profit and loss account		<u>(46,995)</u>	<u>(46,995)</u>
Equity shareholders' funds		<u>23,005</u>	<u>23,005</u>

The notes on page 6 and 7 form part of these accounts.

These accounts were approved by the Board of Directors on 23 August 1999 and signed on its behalf by A Rae:



# Redpath Dorman Long Limited

## Notes to the Accounts

### 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 accounting

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

#### (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.

### 2. Directors' emoluments

None of the directors' received any remuneration from the company during the year (1997-£Nil). These were borne by a fellow subsidiary, Kvaerner Cleveland Bridge Limited.

### 3. Auditors' remuneration

The audit fee in both the current and preceding year was borne by a fellow subsidiary, Kvaerner Cleveland Bridge Limited.

### 4. Fixed asset investments

The company holds an investment of £1, representing the cost of the entire share capital of Cleveland Construction Company (Private) Limited, a company incorporated in India, which did not trade during the year.

### 5. Share capital

	<u>1998</u> <u>£000's</u>	<u>1997</u> <u>£000's</u>
Authorised:		
Equity share capital 70,000,000 shares of £1 each	<u>70,000</u>	<u>70,000</u>
Allotted, called up and fully paid:		
Equity share capital 70,000,000 shares of £1 each	<u>70,000</u>	<u>70,000</u>

### 6. Ultimate parent company

Kvaerner PLC 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 financial statements can be obtained from Kvaerner PLC at St James's House, 23 King Street, London, SW1Y 6QY.

### 7. Related party disclosures

As a subsidiary undertaking of Kvaerner PLC, the company has taken advantage of the exemption in FRS8 'related party disclosures' not to disclose transactions with other members of the group headed by Kvaerner PLC.

# Redpath Dorman Long Limited

## 8. Post balance sheet events and strategic review and financing

Redpath Dorman Long Limited and other members of the Kvaerner ASA Group ("the Group") are co-dependent on each other for funding support. In this connection it should be noted that on 13<sup>th</sup> April 1999 Kvaerner ASA announced a far reaching strategic restructuring with a view to returning the Group to profitable performance and significantly reduce Group borrowings. In order to provide additional support and a robust base to the planned restructuring the Kvaerner Board proposed a rights issue of NOK 2 billion. The rights issue took place on 22<sup>nd</sup> June 1999, was approved by Kvaerner ASA Group shareholders at the Annual General Meeting on 6<sup>th</sup> May 1999 and was fully subscribed and paid in.

As part of this restructuring the company's intermediate parent company, Kvaerner Construction Group Limited, will sell or radically downscale its steel fabrication business. The directors of the company are, therefore, working with other members of the Kvaerner ASA Group to implement the restructuring plan to ensure adequacy of financing.

The Kvaerner ASA Group principal loan facilities contain certain financial covenants relating to gross borrowings to tangible net worth, net borrowings to shareholders' equity and interest coverage. The Kvaerner ASA Group in its calculation of the financial covenants as at 30<sup>th</sup> June 1999 reported a covenant compliant position on the basis that certain provisions relating to potential losses on the sale of its shipbuilding activities should be excluded.

Achieving compliance and meeting Group obligations as they fall due in the next twelve months will depend in part on the successful execution of the ongoing restructuring plans and on the outcome of a number of contracts in progress currently subject to significant uncertainties.

The directors of the company have considered their dependency on the Kvaerner ASA Group for funding support. They have concluded, having made enquiries of Group management and on the basis of reasonable assumptions, that sufficient funding is likely to continue to be available for the foreseeable future.

The directors of the company have, therefore, continued to adopt the going concern basis in preparing these accounts.