DAVY MCKEE (SHEFFIELD) LIMITED

Director's Report And Unaudited Financial Statements

For the year ended 31 December 2012

Company Registration No 00631209 (England and Wales)

DAVY MCKEE (SHEFFIELD) LIMITED

COMPANY INFORMATION

Director	Rufus Laycock
Company number	00631209
Registered office	Surrey House 36-44 High Street Redhill Surrey RH1 1RH

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The director presents his report and financial statements for the year ended 31 December 2012

Principal activities
The Company is a member of the TH Global group of companies which is engaged in a work-out process The work-out is a financial and organisational restructunng whose objective is to resolve outstanding disputes and liabilities, in the best interest of creditors and shareholders

The work-out process is subject to fundamental uncertainties These fundamental uncertainties and their impact on the financial statements are disclosed in the basis of preparation in Note 1 to these financial statements

The remaining activity of the Company is to act an investment holding company It is not intended that the Company acquire any new investments or operate or control any business activities in the foreseeable future

The Company's residual liability is responsibility for industnal disease claims lodged against the Company by former employees ansing from the circumstances of the past activities of the Company

The Company is the subject of claims by former employees alleging that they have suffered bodily injury as a result of industnal diseases caused dunng the course of the claimant's employment with the Company These claims do not anse until many years after the relevant employment ceased (medical conditions may not develop until much later) The Company, together with its insurance camers and outside claims handlers and counsel, review each claim that is pursued by claimants In those cases where a compensatable disease, exposure dunng the course of employment and causation can be established by claimants the Company's approach is to seek to resolve claims for amounts that reflect the type of disease, the senousness of the injury, the age of the claimant, the particular junsdiction of the claim and the number and solvency of other defendants

Director
The following director has held office since 1 January 2012

Rufus Laycock

Statement of director's responsibilities
The director is responsible for prepanng the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the director must not approve the financial statements unless he is satisfied that they 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 penod In prepanng these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropnate to presume that the company will continue in business

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006 He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregulanties

DAVY MCKEE (SHEFFIELD) LIMITED

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Rufus Laycock

Rufus Laycock
Director 10 May 2013

DAVY MCKEE (SHEFFIELD) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Administrative expenses		(1,301)	(21,151)
Loss on ordinary activities before taxation		(1,301)	(21,151)
Tax on loss on ordinary activities	3	-	-
Loss for the year	**9**	(1,301)	(21,151)

DAVY MCKEE (SHEFFIELD) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Investments	4		126,759		126,759
Current assets					
Debtors	5	18,554,179		18,568,200	
Creditors: amounts falling due within one year	6	(130,538)		(134,478)	
Net current assets			18,423,641		18,433,722
Total assets less current liabilities			18,550,400		18,560,481
Provisions for liabilities	7		(15,954)		(24,734)
			18,534,446		18,535,747
Capital and reserves					
Called up share capital	8		43,000,000		43,000,000
Share premium account	9		2,325,788		2,325,788
Profit and loss account	9		(26,791,342)		(26,790,041)
Shareholders' funds			18,534,446		18,535,747

For the financial year ended 31 December 2012 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies

Director's responsibilities
- The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the Director on 10 May 2013

Rufus Laycock

Rufus Laycock
Director

Company Registration No. 00631209

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

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

These financial statements have not been prepared on a going concern basis The background and reason for this basis of preparation are explained below

The TH Global Group (the "Group") in which the Company is a wholly owned subsidiary is facing significant challenges to continue the work-out on a solvent basis In addition to the pre-existing and pervasive uncertainty of the work-out (see further background and explanation below), the Group faces a number of specific and significant legacy and litigation issues in which the outcome is uncertain and where the nature and magnitude of an adverse outcome puts at risk the solvency of the Group (and the Company) and the planned outcome of the work-out The objectives of the work-out have been and remain to achieve a solvent outcome for third party creditors, and, an orderly winding up of constituent entities including the Company In this context, the Director of the Company considers that it is not appropriate to adopt the going concern basis of preparation for these financial statements but has sought to present assets and liabilities on a break up basis other than when it is impracticable to do so (see below)

Background - the Work-Out

The Group is engaged in a work-out process The work-out is a financial and organisational restructuring whose objective is to resolve outstanding disputes and liabilities, in the best interests of creditors and shareholders

The Group discharges a range of legacy responsibilities including significant liabilities and costs related to historic issues, such as historic contractual liabilities, historic pensions liabilities, environmental liabilities, industrial injury compensation claims, overseas taxation claims and sundry other liabilities The Group's primary objective is to wind-up these legacy responsibilities as soon as practicable consistent with achieving best value for money Since 1 April 2005, while in a number of instances, realisations have exceeded the initial budget expectations and certain legacy issues and liabilities have been resolved more favourably than initially budgeted, conversely, there have been a number of liabilities that have resulted in an increased exposure and further unknown and unforeseen legacy issues have arisen

Material uncertainties and risks inherent in the work-out

From the outset, the work-out has been subject to significant issues indicating material uncertainties and risks which give rise to significant doubt on the Group's ability to continue to facilitate and manage the work-out if actual results were to differ materially from those anticipated These uncertainties relate to

- whether the outcome of a number of existing claims including industrial disease compensation claims (incurred and incurred but not reported) and overseas taxation claims will be as estimated,
- whether the settlement consideration in relation to the Group's outstanding liabilities will be within the expected range and timing, these substantial outstanding liabilities include external borrowings, environmental liabilities in the US, US pensions, industrial disease compensation claims and other legacy issues which have not yet been resolved, and
- whether the actual consideration received upon disposal of the remaining Group's assets will be as estimated

1 Accounting policies **(continued)**

Restructuring of liabilities under material borrowings and US pension plan
During 2011, the Group Directors identified the need to restructure two of the Group's principal third party liabilities, being, (1) liabilities under a US defined benefit pension plan (the "US Pension Plan") and (2) pending and prospective default under material borrowings and onerous present and future interest payments attaching to those borrowings (the "Material Borrowings"), if the work-out was to continue on a solvent basis

In June 2012, the Group carried out a restructuring of its liabilities under the Material Borrowings and the US Pension Plan which relieved companies within the Group of liability for the Material Borrowings and from contributions to the US Pension Plan and also relieved companies within the Group from present and potential recourse in respect of those liabilities and contributions The Material Borrowings have been settled through the issue of preferred equity securities to the Material Borrowings holders As described below, the relief from contributions to the US Pension Plan is an interim solution while work continues to achieve a permanent transfer of legal liability

Significant financial challenges to the continuation of the work-out on a solvent basis
The principal significant challenges to continue the work-out on a solvent basis are (1) to achieve a permanent settlement for liabilities under the US Pension Plan and, (2) an overseas (Finland) tax dispute where the additional tax assessed in respect of a prior period transaction exceeds the relevant subsidiary's ability to satisfy it and where a final and binding demand could cause the bankruptcy of the subsidiary and, in view of the level of intercompany indebtedness within Group subsidiaries, could have a domino effect resulting in the insolvency of other Group subsidiaries including this company and, possibly, of the Group

The Group Directors' assessment of the outcome of these two legacy issues is as follows

Liabilities under a US defined benefit pension plan
The Group Directors have a reasonable expectation that discussions to permanently exit the US Pension Plan will yield a solution on acceptable terms Under the restructuring carried out in June 2012, the existing third party guarantor of the required minimum contribution to the US Pension Plan confirmed its capacity and willingness to meet its financial commitments under the guarantee and further, the guarantor has released its right to reimbursement and indemnity from Group companies The Group and the guarantor intend (subject to agreement with all relevant parties and approval from regulatory bodies on acceptable terms) that the guarantor will legally assume the Group's liabilities under the US Pension Plan without recourse to the Group As with any company placing reliance on a third party to meet its guaranteed obligations, the Group Directors acknowledge that there can be no absolute certainty of the fulfilment of the guaranteed obligations, however, at the date of these financial statements the Group Directors have no reason to believe that the third party will not do so

Tax dispute in Finland
In March 2012, the Helsinki Administrative Court found against one of the Group's Finnish subsidiaries in a claim by the Finnish State Tax Auditor that additional tax was payable in respect of an asset disposal in 2004 The additional tax demanded including interest and penalties is EUR 24 1 million The Group is seeking permission to appeal that decision to the Finnish Supreme Administrative Court The outcome of the application to appeal will probably not be known before late Spring/early Summer 2013 During May 2012, the Group made its application to appeal and in accordance with Finnish procedures simultaneously submitted its appeal

The Group has received advice from three leading law firms in connection to the appeal regarding the chances for the appeal application to be permitted All three law firms think that it is more likely than not that permission will be given to appeal and that the appeal will be successful

1 Accounting policies (continued)

However, given the nature of this claim and the previous unfavourable judgement in the lower court the Group Directors and the Director of the Company recognise that the outcome of the application to appeal and, if permission is given to appeal, the ultimate favourable resolution of this tax claim, must be treated as subject to uncertainty As explained elsewhere in these financial statements, an adverse outcome in the application to appeal and, if permission is given to appeal, in the appeal itself will have a material adverse impact on the Group

Continuation of work-out on a solvent basis

Since 1 April 2005, the Group Directors and the Director of the Company have worked diligently to forge the best possible outcome for the Group and its various stakeholders through the facilitation and management of an orderly work-out and settlement of legacy liabilities

The Group Directors and the Director of the Company recognise and report that the current situation and outlook presents significant challenges in terms of the magnitude of material uncertainties that cast significant doubt upon the Group's ability to continue the work-out on a solvent basis

If the settlement or resolution of the two legacy liabilities identified above is not forthcoming on acceptable terms and/or if the guarantor of the required minimum contribution to the US Pension Plan is unable to meet its guaranteed obligation then that non-success/non-fulfilment of guarantee obligations would immediately trigger a need to re-examine the Group's ability to continue the work-out on a solvent basis and the Group and the Company may have to consider, among other things, formal insolvency proceedings The failure of the appeal in the Finnish tax dispute would have the same effect

The Group Directors believe that the Group will have sufficient liquidity to satisfy its needs for the period of the appeal in the overseas tax dispute subject to the guarantor of the funding obligations to the US Pension Plan fulfilling its guaranteed obligations

In addition to the liabilities under a US defined benefit pension plan and the tax dispute in Finland, the Group has exposures to other legacy issues relating to historical contractual liabilities, historical pensions liabilities, environmental liabilities, industrial injury compensation claims, overseas taxation claims and sundry other liabilities Although less significant individually, the Group's obligations regarding some of these other legacy issues are expected to continue for more than 5 years and thus are expected to substantially deplete the group resources over time As noted elsewhere, the objective of the work-out is to resolve outstanding disputes and liabilities in the best interests of creditors and shareholders as soon as practicable The Group explores options that may be available to resolve these long tail liabilities

After thoughtful and careful consideration, based on their expectations stated above, combined with their forecasts and assumptions relating to the outcome of claims, values and timings of expected legacy liability settlements and disposal of remaining assets, the Group Directors and the Director of the Company consider that the work-out remains ultimately viable subject to a permanent settlement solution for the US Pension Plan being forthcoming and the successful appeal in the Finnish tax dispute and therefore they consider it is appropriate to continue the work-out for the time being in order to provide the opportunity for the resolution of those two legacy issues on acceptable terms The Group Directors and the Director of the Company consider that through the continuation of an orderly work-out within the current structure the Group is best able to fulfil its objective of achieving a return for stakeholders in excess of that which could be achieved under an insolvent winding up The Group Directors and the Director of the Company note that, given the interconnectedness of the subsidiaries within the Group, the outcome of an insolvent winding up of the Group for any stakeholder is extremely unpredictable and uncertain

1 Accounting policies (continued)

Carrying values of intercompany receivables and investments in subsidiaries

The Director of the Company has concluded that the fundamental uncertainties mentioned above regarding financial effects of the ultimate outcome of the work-out process facing the Group of which the Company is a part, together with the resulting uncertainty that brings to the expected settlement of the intercompany receivables and recovery of the investments in subsidiary undertakings, renders, at this time, assessing the recoverable amount of these items impracticable This is due to the, possibly insoluble, complications of the exercise as a result of the group structure and the uncertainties along with the unjustifiable cost of any attempt to carry out the exercise

In preparing these financial statements, the Director of the Company has therefore recognised the intercompany receivables at original nominal value except for certain specific impairments recognised in prior years The investments in subsidiaries have been recognised at the lower of cost and net asset position of the subsidiary which would not take into account the implications of the work out on those net assets If the assessment of recoverable amounts could have taken the implications of the work-out into account significant additional impairments against intercompany receivables and investments in subsidiary undertakings may well be required

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.4 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to profit and loss account

2 Director's emoluments

The Director is remunerated by TH Group Services Limited, a fellow subsidiary undertaking, for his services to the Group Because of this, the director's emoluments are disclosed in TH Group Services Limited It is not practical to allocate his remuneration between Group companies

3	**Taxation**	**2012**	**2011**
		£	**£**
	UK Corporation Tax		
	Total current tax and tax on profit from ordinary activities	-	-
	Total current tax	-	-

Factors affecting the current tax charge

The tax assessed for the year is higher than (2011 higher than) the standard rate of corporation tax in the United Kingdom The reconciliation is as follows

	2012	2011
Loss on ordinary activities before taxation	(1,301)	(21,151)
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24 5% (2011 - 26 5%)	(319)	(5,605)
Effects of		
Increase/(decrease) in losses carried forward	(465)	5,605
Expenditure not deductible for tax purposes	784	-
	319	5,605
Current tax charge for the year	-	-

Factors affecting future tax charges
It is anticipated that any future taxable income in this company will be sheltered from tax by utilisation of group relief from other Group companies, and, where possible, the use of the Group's tax losses arising in prior years

There is no potential liability to deferred taxation (2011 £nil)

4 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2012 & at 31 December 2012	1,961,697
Provisions for impairment	
At 1 January 2012 & at 31 December 2012	1,834,938
Net book value	
At 31 December 2012	126,759
At 31 December 2011	126,759

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Kvaerner Engineering & Construction (Overseas Trad	England & Wales	Ordinary	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital and reserves 2012 £	Profit/(loss) for the year 2012 £
Kvaerner Engineering & Construction (Overseas Trad	Discharge of legacy responsibilities	130,538	(3,271)

Details of fundamental uncertainties relating to the carrying value of investments in subsidiaries have been disclosed in note 1 1 Accounting Convention in these financial statements

5 Debtors

	2012 £	2011 £
Amounts owed by other group undertakings	18,554,179	18,568,200

Details of fundamental uncertainties relating to the carrying values of intercompany receivables have been disclosed in Note 1 1 Accounting convention of these financial statements

6 Creditors: amounts falling due within one year	2012	2011
	£	£
Amounts owed to group undertakings	130,538	134,478

7 Provisions for liabilities

	Other
	£
Balance at 1 January 2012	24,734
Profit and loss account	(8,780)
Balance at 31 December 2012	15,954

The provision represents the anticipated costs of winding-up the legact responsibilities of the Company relating to industrial injury and disease

As a past employer and operator of an engineering business, the Company is the recipient of industrial injury and disease claims submitted by former employees On the various legal and financial restructurings which occurred in the former Kvaerner group the Company retained responsibility in the great majority of cases for industrial injury and disease claims resulting from its former activities Claims do not arise until many years after the relevant employment ceased (medical conditions may not develop until much later) The nature of these industrial diseases – their causation, progress and latency periods, is such that it is neither possible to know with any certainty the timing of the submission of claims nor to measure with any reliability the number of future claims and the cost of settlement The Company provides for the estimated cost of incurred claims less insurance recoveries Where it is not possible to make a reasonable estimate, no provision is made No provision is made in respect of claims not yet received and verified

The future receipt and settlement of these claims could result in additional liabilities

8 Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
43,000,000 Ordinary shares of £1 each	43,000,000	43,000,000

9 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2012	2,325,788	(26,790,041)
Loss for the year	-	(1,301)
Balance at 31 December 2012	2,325,788	(26,791,342)

10 Control

In the opinion of the director there is no ultimate controlling party

11 Related party relationships and transactions

Identity of related parties

The Company has related party relationships with member companies of the same group and with its directors

Transactions between related parties

The related party transactions with member companies of the same group relate solely to intercompany debt and intercompany account receivables The Company has taken advantage of the exemptions in the FRSSE from disclosing transactions entered into with two or more members of the Group

The transactions arising from the related party relationships with the Directors relate solely to the compensation for their management services to the Group See Note 2 (Director's emoluments) for further information