

Company Registration No. 932159

KVAERNER SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001



KVAERNER SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report, together with the financial statements, for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activities are the provision of management and administrative services to other companies within the Kvaerner Group and to act as a holding company, both of which activities are continuing.

RESULT

The result for the year is set out in the profit and loss account on page 5.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2001 (2000: £nil) and no dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

Shown below are the directors of the Company during the year. There have been no changes to the Board of directors between 31 December 2001 and the date of this report.

F.E. Fosse
L.N. Simpson

J.M. Charlton (resigned 9 October 2001)

DIRECTORS' INTERESTS

Neither of the directors at 31 December 2001 had any interest to be disclosed under the Companies Act 1985. There have been no changes to this position between 31 December 2001 and the date of this report.

EMPLOYMENT POLICIES

Kvaerner is committed to a policy of providing equal opportunities for all, regardless of race, religion, sex or disablement.

Kvaerner is committed to training and management development, so as to ensure a supply of trained and skilled employees.

Kvaerner keeps employees informed about its current activities and progress by various methods, including in-house publications.

KVAERNER SERVICES LIMITED

DIRECTORS' REPORT, continued

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

Statutory Regulations issued under the Companies Act 1985 (the "Act") require the Company to make a statement of its policy and practice on the payment of trade creditors. Operating businesses within Kvaerner are responsible for agreeing the terms and conditions under which business transactions with their 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 Company's average creditor payment period at 31 December 2001 was 21 days (2000: 21 days).

ANNUAL GENERAL MEETING

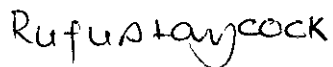
The Company has dispensed with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings.

AUDITOR

KPMG Audit Plc has signified its willingness to continue in office.

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG Audit Plc is, therefore, deemed re-appointed as auditor for the succeeding year.

By order of the Board,



Rufus Laycock
Secretary

Date: 21 MARCH 2002

Registered Office:
68 Hammersmith Road,
London W14 8YW

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.

KVAERNER SERVICES LIMITED

Report of the independent auditors to the members of Kvaerner Services Limited

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

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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

KVAERNER SERVICES LIMITED

Profit and Loss Account for the year ended 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|--|-------|-----------------------------|-----------------------------|
| Turnover | 2 | 27,227,647 | 29,537,819 |
| Cost of sales | | <u>(25,901,041)</u> | <u>(19,407,295)</u> |
| Operating profit | | 1,326,606 | 10,130,524 |
| Restructuring costs | 3 | (1,925,000) | - |
| Dividend income from subsidiary undertaking | | 345,104 | - |
| | | <u> </u> | <u> </u> |
| Profit on ordinary activities before interest | | (253,290) | 10,130,524 |
| Interest receivable and similar income | 3 | <u>28,860,620</u> | <u>29,732,242</u> |
| Profit on ordinary activities before taxation | 3 | 28,607,330 | 39,862,766 |
| Tax on profit on ordinary activities | 4 | <u>0</u> | <u>0</u> |
| Retained profit for the financial year transferred to reserves | 15 | <u><u>28,607,330</u></u> | <u><u>39,862,766</u></u> |

All activities of the company are continuing operations.

The notes on pages 7 to 14 form part of these financial statements.

The company has no recognised gains or losses other than the profit and loss for the year and for the previous year. Accordingly, a statement of total recognised gains and losses has not been prepared.

KVAERNER SERVICES LIMITED

Balance Sheet at 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 8,290 | 318,579 |
| Investments | 9 | 9,001,571 | 8,971,571 |
| | | <u>9,009,861</u> | <u>9,290,150</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 66,540 | 77,839 |
| Debtors | 11 | 520,563,874 | 506,015,340 |
| Cash at bank and in hand | | 24,691,054 | 10,699,491 |
| | | <u>545,321,468</u> | <u>516,792,670</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| Other creditors | 12 | (248,469,315) | (248,663,136) |
| NET CURRENT ASSETS | | <u>296,852,153</u> | <u>268,129,534</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>305,862,014</u> | <u>277,419,684</u> |
| PROVISION FOR LIABILITIES AND CHARGES | 13 | (8,346,000) | (8,511,000) |
| NET ASSETS | | <u>297,516,014</u> | <u>268,908,684</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 100,000,000 | 100,000,000 |
| Profit and loss account | 15 | 197,516,014 | 168,908,684 |
| EQUITY SHAREHOLDERS' FUNDS | 16 | <u>297,516,014</u> | <u>268,908,684</u> |

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the Board of Directors on **21 MARCH 2002** and signed on its behalf by :



Director
F.E. FOSSE

KVAERNER SERVICES 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) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting convention and include the results of activities described in the directors' report, which are continuing except where specifically noted elsewhere.

(b) Basis of preparation

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements.

(c) Cash flow statement and related party transactions

The company has taken advantage of the exemption under the rules of FRS 1 (revised) not to produce a cash flow statement, and the exemption under the rules of FRS 8 not to disclose related party transactions with other Kvaerner group companies. The appropriate amounts will be included in the consolidated financial statements of Kvaerner ASA.

(d) Turnover

Turnover, which includes inter company trading, represents management fees and service charges, and arises within the United Kingdom, Europe and North America.

(e) Depreciation

Fixed assets are depreciated over their estimated useful lives on a straight line basis as follows:

| | |
|--------------------------------|---------|
| Computer equipment | 3 years |
| Office furniture and equipment | 3 years |

(f) Leased assets

All leases are operating leases and the annual rentals are charged wholly to the profit and loss account.

(g) Fixed asset investments

Shares in subsidiary undertakings are stated at cost, less any amounts written off.

(h) Stocks

Stocks have been valued at the lower of cost and net realisable value.

(i) Pensions

The expected cost to the company of pensions in respect of defined benefit and defined contribution pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the average remaining service lives of employees in the schemes.

KVAERNER SERVICES LIMITED

Notes to the financial statements

1. Accounting policies (continued)

(j) Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

2. Analysis of turnover

| | 2001 £ | 2000 £ |
|-------------------------------------|-------------------|-------------------|
| By geographical area : | | |
| North America | - | 10,808 |
| Europe - EC | 1,135 | 474,431 |
| Europe-Eastern | 59,167 | - |
| South/Central America | - | - |
| Africa | - | 167,612 |
| Asia - South East | - | - |
| United Kingdom | 27,167,345 | 28,482,316 |
| Norway | - | 402,652 |
| | <u>27,227,647</u> | <u>29,537,819</u> |
| By class of business : | | |
| Continuing operations : | | |
| Management fees and service charges | 27,227,647 | 29,537,819 |

3. Profit on ordinary activities before taxation

| | 2001 £ | 2000 £ |
|--|------------|------------|
| Profit on ordinary activities before taxation is stated after charging : | | |
| Auditors' remuneration | | |
| Audit fees - for Kvaerner Services Limited and other group undertakings | 175,000 | 175,000 |
| Other - amounts paid to auditors | 223,789 | 194,000 |
| Other - amounts paid to previous auditors | | 48,791 |
| Depreciation: | | |
| Owned assets | 351,608 | 781,357 |
| Hire costs including operating lease payments: | | |
| Hire of motor vehicles | 33,474 | 46,337 |
| Restructuring costs: | 1,925,000 | - |
| and after crediting : | | |
| Interest received from bank | 797,584 | 627,669 |
| Interest received from group companies | 28,063,036 | 29,104,573 |

Restructuring costs relate to the relocation of the Kvaerner head office from London to Oslo

KVAERNER SERVICES LIMITED

Notes to the financial statements

4. Tax on profit on ordinary activities

There is no charge for Corporation Tax on the profit for the year as relief will be obtained for losses incurred by other companies in the group surrendered for no consideration.

There is no potential liability to deferred taxation.

5. Staff numbers and costs

| | 2001 Number | 2000 Number |
|---|----------------|----------------|
| The average monthly number of employees, all of whom were engaged in the United Kingdom on the company's principal activity : | | |
| Management and administration | 74 | 81 |

Staff costs including directors' emoluments

| | 2001 £ | 2000 £ |
|-------------------------------|------------------|------------------|
| Wages and salaries | 6,588,839 | 4,870,078 |
| Social security costs | 582,975 | 520,807 |
| Other pension costs (note 18) | 230,687 | 797,317 |
| | <u>7,402,501</u> | <u>6,188,202</u> |

6. Directors' remuneration

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| The remuneration of directors requiring to be disclosed under Schedule 6 of the Companies Act 1985 is as follows : | | |
| Emoluments | 0 | 0 |
| Defined benefit pension contributions | 0 | 0 |
| Compensation for loss of office | 0 | 0 |
| | <u>0</u> | <u>0</u> |

| | 2001 Number | 2000 Number |
|---|----------------|----------------|
| Pensions | | |
| The number of directors who were members of pension schemes was : | | |
| Defined benefit scheme | 0 | 0 |

The remuneration of the directors is borne by fellow group undertakings.

KVAERNER SERVICES LIMITED

Notes to the financial statements

7. Tangible fixed assets

| | Plant and Equipment £ |
|-----------------------------------|--------------------------------------|
| Cost: | |
| At 1 January 2001 | 3,683,629 |
| Additions | 41,319 |
| Disposals | (3,228) |
| At 31 December 2001 | <u>3,721,720</u> |
| Accumulated depreciation : | |
| At 1 January 2001 | 3,365,050 |
| Charge for the year | 351,608 |
| Disposals | (3,228) |
| At 31 December 2001 | <u>3,713,430</u> |
| Net book value : | |
| At 31 December 2001 | <u>8,290</u> |
| At 1 January 2001 | <u>318,579</u> |

Plant and equipment includes computer equipment and office furniture and equipment.

8. Leased assets

| | 2001 £ | 2000 £ |
|--|-------------------|-------------------|
| Operating lease commitments : | | |
| Annual rentals under operating leases are payable as follows : | | |
| Motor vehicles : | | |
| in respect of leases expiring between two and five years | 650 | 30,700 |
| | <u>650</u> | <u>30,700</u> |

KVAERNER SERVICES LIMITED

Notes to the financial statements

9. Fixed assets investments

| | Shares in subsidiary undertakings £ |
|-----------------------------------|--|
| Cost | |
| At 1 January 2001 | 8,971,571 |
| Additions | 30,000 |
| At 31 December 2001 | <u>9,001,571</u> |
| Provision | |
| At January 1 and 31 December 2001 | <u>0</u> |
| Net book value | |
| At 31 December 2001 | <u>9,001,571</u> |
| At 1 January 2001 | <u>8,971,571</u> |

During the year, the company made the following acquisitions :

1) Fitzgeorge June 1 Limited, Fitzgeorge September 2 Limited and Fitzgeorge December 5 Limited for considerations of £10,000. each, from an unrelated third party

In the opinion of the directors, the aggregate value of investments is not less than that shown in the balance sheet.

KVAERNER SERVICES LIMITED

Notes to the financial statements

9. Fixed assets investments (continued)

The following subsidiary undertakings are wholly owned and are registered in England and Wales:

| | Nature of Business |
|---|-----------------------------------|
| Kvaerner Pensions Investment Management Limited | Investment management |
| Kvaerner Technology and Research Limited | Intellectual property |
| Kvaerner Sea Launch Limited | Investment holding company |
| Thos. and Jno. Brocklebank Limited | Dormant |
| Fitzgeorge Limited | Receipt of rentals |
| Fitzgeorge 1 Limited | Receipt of rentals |
| Fitzgeorge 2 Limited | Receipt of rentals |
| Fitzgeorge 4 Limited | Receipt of rentals |
| Fitzgeorge June 1 Limited | Receipt of rentals |
| Fitzgeorge September 2 Limited | Receipt of rentals |
| Fitzgeorge December 5 Limited | Receipt of rentals |
| Kazan Engineering Limited (formerly Redpath Engineering Ltd.) | In members' voluntary liquidation |
| Dearbridge Limited | Dealing in investments |
| The Direct Spanish Telegraph Company Limited | Dormant |

The following subsidiary undertakings are wholly owned and are registered in Scotland :

| | |
|---------------------------|--------------------|
| Kvaerner National Limited | Dormant |
| Fitzgeorge 3 Limited | Receipt of rentals |

The following subsidiary undertaking is wholly owned and is registered in Jersey :

| | |
|---|---------------|
| Trafalgar House Services (Jersey) Limited | Non-operating |
|---|---------------|

10. Stocks

| | 2001 £ | 2000 £ |
|----------------------|-----------|-----------|
| Stock of consumables | 66,540 | 77,839 |

11. Debtors

| | 2001 £ | 2000 £ |
|--|-------------|-------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,301,955 | 891,577 |
| Amounts owed by subsidiary undertakings | 395,351 | 216,658 |
| Amounts owed by fellow subsidiary undertakings | 511,373,356 | 498,439,884 |
| Other debtors | 2,069,457 | 1,004,641 |
| Prepayments and accrued income | 3,360,755 | 3,399,580 |
| | 518,500,874 | 503,952,340 |
| Amounts falling due after more than one year: | | |
| Other debtors - pensions prepayment | 2,063,000 | 2,063,000 |
| | 520,563,874 | 506,015,340 |

KVAERNER SERVICES LIMITED

Notes to the financial statements

12. Creditors : amounts falling due within one year

| | 2001 £ | 2000 £ |
|--|--------------------|--------------------|
| Trade creditors | 566,995 | 683,277 |
| Amount owed to ultimate parent undertaking | 136,082 | 1,102,882 |
| Amount owed to immediate parent undertaking | 205,134,707 | 207,545,575 |
| Amounts owed to subsidiary undertakings | 200,000 | 305,679 |
| Amounts owed to fellow subsidiary undertakings | 38,284,262 | 32,276,159 |
| Other taxes and social security | 359,479 | 3,526,827 |
| Other creditors | 115,243 | 1,553,234 |
| Accruals and deferred income | 3,672,547 | 1,669,503 |
| | <u>248,469,315</u> | <u>248,663,136</u> |

13. Provision for liabilities and charges

| | £ |
|---------------------------------------|------------------|
| At 1 January 2001 | 8,511,000 |
| Transfer from profit and loss account | 854,472 |
| Expenditure | (1,019,472) |
| At 31 December 2001 | <u>8,346,000</u> |

On 31 December 1995, in consideration of a payment of £7,846,378, the company assumed all the rights and obligations relating to the permanent disability insurance policy operated by the company in connection with the Permanent Disability Scheme for employees of the then Trafalgar House Group. The scheme is restricted to current employees whose employment commenced on or before 31 December 1995.

The liability at 31 December 2001 is based on an independent assessment provided by Lane, Clark & Peacock, actuaries, of the present value of the future payments of claims for current claimants and admitted potential claimants under the scheme.

14. Share capital

| | 2001 £ | 2000 £ |
|---|--------------------|--------------------|
| Authorised: 100,000,000 ordinary shares of £1 each | <u>100,000,000</u> | <u>100,000,000</u> |
| Allotted, called up and fully paid: 100,000,000 ordinary shares of £1 each | <u>100,000,000</u> | <u>100,000,000</u> |

15. Reserves

| | Profit and loss account £ |
|------------------------------|---------------------------------|
| At 1 January 2001 | 168,908,684 |
| Retained profit for the year | <u>28,607,330</u> |
| At 31 December 2001 | <u>197,516,014</u> |

KVAERNER SERVICES LIMITED

Notes to the financial statements

16. Reconciliation of movement in shareholders' funds

| | 2001 £ | 2000 £ |
|--|--------------------|--------------------|
| Opening shareholders' funds | 268,908,684 | 229,045,918 |
| Profit for the year added to shareholders' funds | 28,607,330 | 39,862,766 |
| Closing shareholders' funds | <u>297,516,014</u> | <u>268,908,684</u> |

17. Pensions

The company's employees are members of defined benefit and defined contribution pension schemes operated by the Kvaerner plc Group under which contributions are paid by the company and by employees. The assets of the schemes are held in trustee administered funds separate from the finances of the Group.

The group schemes are not run on a basis that enables individual companies within the group to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis.

The company's contributions are based on the expected cost of pensions across the Kvaerner plc Group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees within Group schemes. Details of the actuarial valuation of the Group schemes will be included in the report and financial statements of Kvaerner Public Limited Company.

18. Contingent Liability

Of the total cash and bank balance on the balance sheet, £24,691,054. are deposits held in bank sub-accounts that are part of a group pooling system. Other Kvaerner group companies may have withdrawn amounts deposited on such bank sub-accounts, such that the net balance on the accounts may be less than the reported balance. The bank has at any time a right of set-off in respect of any debit balance on any sub-account, towards satisfaction of any credit balance on other sub-accounts, in which case any debit balance represents a receivable from the Kvaerner group and any credit balance represents borrowings.

19. Ultimate parent company

The immediate parent company is Kvaerner Public Limited Company which is registered in England and Wales. The smallest group in which the results of the company are consolidated is that headed by Kvaerner Public Limited Company.

The ultimate parent company is Kvaerner ASA, a company registered in Norway, which heads the largest group in which the results of the company are consolidated.

Copies of the respective financial statements can be obtained, when published, from Kvaerner Public Limited Company at Kvaerner House, 68 Hammersmith Road, London W14 8YW.