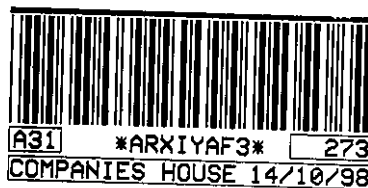


Company Registration No. 932159

KVAERNER SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997



KVAERNER SERVICES LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULTS

The results for the period are set out in the profit and loss account on page 5.

DIVIDENDS

The Directors do not propose to recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the year ended 31st December 1997.

DIRECTORS

The following persons were Directors of the Company during the year (the directors are listed in alphabetical order by name):-

Mrs M.R.A. Ellis	
Mr A. Farstad	
Mr F.E. Fosse	(appointed 16th May 1997)
Mr J.M. Heggelund	
Mr S. Ross	(resigned 16th May 1997)

DIRECTORS' INTERESTS

None of the Directors at 31st December 1997 had any interests requiring to be disclosed under Schedule 7 of the Companies Act 1985. There have been no changes to this position between 31st December 1997 and the date of this report.

EMPLOYMENT POLICIES

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

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

The Company 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 the Kvaerner Group 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 average number of days taken to pay the Company's trade creditors calculated in accordance with the requirements of the Act is 21 days.

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 23rd September 1991.

By order of the Board

Rufus Laycock

.....
R. Laycock
Secretary

Date: 8TH OCTOBER 1998

Registered Office:
St. James's House,
23 King Street,
London SW1Y 6QY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial reporting period which give a true and fair view of the state of affairs of the company as at the end of the financial reporting period 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 ; 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.

KVAERNER SERVICES LIMITED

AUDITORS' REPORT

To the Members of Kvaerner Services Limited

We have audited the financial statements on pages 5 to 16.

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.

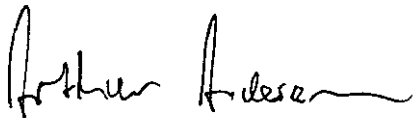
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants & Registered Auditors
1 Surrey Street,
London WC2R 2PS.

8 OCTOBER , 1998

KVAERNER SERVICES LIMITED

Profit and Loss Account for the year ended 31st December 1997

	Notes	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Turnover	2	34,017,781	37,700,235
Cost of sales		<u>(34,142,789)</u>	<u>(24,188,141)</u>
Operating (loss) profit		(125,008)	13,512,094
Write-down of investment in subsidiary undertakings	10	0	(1,339,642)
Profit on sale of investment in subsidiary under- taking	10	0	32,954,342
Dividend income from subsidiary undertakings		0	2,305,128
		<hr/>	<hr/>
(Loss) profit on ordinary activities before interest		(125,008)	47,431,922
Interest receivable and similar income		26,958,361	19,104,254
Interest payable and similar charges	3	<u>(1,106)</u>	<u>(1,049)</u>
Profit on ordinary activities before taxation	4	26,832,247	66,535,127
Tax on profit on ordinary activities	5	<u>0</u>	<u>0</u>
Profit for the period		26,832,247	66,535,127
Ordinary dividend		<u>0</u>	<u>0</u>
Retained profit for the year transferred to reserves		<u><u>26,832,247</u></u>	<u><u>66,535,127</u></u>

All activities of the company are continuing operations.

The notes on pages 7 to 16 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 15 months period. Accordingly, a statement of total recognised gains and losses has not been prepared.

KVAERNER SERVICES LIMITED

Balance Sheet at 31st December 1997

	Notes	At 31/12/1997 £	At 31/12/1996 £
FIXED ASSETS			
Tangible assets	8	1,277,223	477,334
Investments	10	14,293,926	12,925,179
		<u>15,571,149</u>	<u>13,402,513</u>
CURRENT ASSETS			
Stocks	11	117,795	2,677
Debtors	12	441,214,232	220,936,242
Cash at bank and in hand		4,825,177	16,744
		<u>446,157,204</u>	<u>220,955,663</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Borrowings	13	0	(498,457)
Other creditors	14	(259,146,166)	(57,526,195)
		<u>(259,146,166)</u>	<u>(58,024,652)</u>
NET CURRENT ASSETS		<u>187,011,038</u>	<u>162,931,011</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>202,582,187</u>	<u>176,333,524</u>
PROVISION FOR LIABILITIES AND CHARGES	15	(6,961,000)	(7,544,584)
NET ASSETS		<u>195,621,187</u>	<u>168,788,940</u>
CAPITAL AND RESERVES			
Called up share capital	16	100,000,000	100,000,000
Profit and loss account	17	95,621,187	68,788,940
		<u>195,621,187</u>	<u>168,788,940</u>

The notes on pages 7 to 16 form part of these financial statements.
 These financial statements were approved by the Board of Directors on 8TH OCTOBER 1998
 and signed on its behalf by :



F.E. FOSSE
 Director

, 1998

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

The company has taken advantage of the exemption under the rules of FRS 1 (revised) not to produce a cash flow statement. The appropriate amounts will be included in the consolidated financial statements of Kvaerner Public Limited Company.

(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:

Motor vehicles	5 years
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 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

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
By geographical area:		
North America	227,578	34,012
Europe - EC	167,258	26,648
South/Central America	12,430	0
Africa	9,794	0
Asia - Hong Kong/China	1,074	0
Asia - North East	1,192	0
Asia - South East	22,289	0
Australasia	6,172	0
United Kingdom	33,503,882	37,639,575
Norway	66,112	0
	<u>34,017,781</u>	<u>37,700,235</u>

By class of business:

Continuing operations:		
Management fees and service charges	<u>34,017,781</u>	<u>37,700,235</u>

3. Interest payable and similar charges

Other	<u>1,106</u>	<u>1,049</u>
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KVAERNER SERVICES LIMITED

Notes to the Financial Statements

4. Profit on ordinary activities before taxation

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Profit on ordinary activities before taxation is stated after charging :		
Auditors' remuneration		
Audit fees	207,000	150,000
Other - amounts paid to auditors	32,431	5,000
Other - amounts paid to previous auditors	0	501,304
Depreciation:		
Owned assets	288,542	237,407
Hire costs including operating lease payments:		
Hire of motor vehicles	154,495	253,667
Hire of computer equipment	(15,900)	22,662
Amortisation of pension prepayment	0	409,000

5. 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.

6. Staff numbers and costs

	Year ended 31/12/1997 Number	15 months ended 31/12/1996 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	114	107

KVAERNER SERVICES LIMITED

Notes to the Financial Statements

6. Staff numbers and costs (continued)

Staff costs including directors' emoluments

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Wages and salaries	4,405,926	6,262,483
Social security costs	397,958	493,983
Other pension costs (note 19)	315,284	683,057
	<u>5,119,168</u>	<u>7,439,523</u>

7. Directors' remuneration

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
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The remuneration of directors requiring to be disclosed under Schedule 6 of the Companies Act 1985 is as follows :

Emoluments	142,801	733,911
Compensation for loss of office	0	431,050
Defined benefit pension contributions	8,827	159,799
	<u>151,628</u>	<u>1,324,760</u>

Highest paid director
Emoluments

75,162	134,563
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1997 Number	1996 Number
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Pensions

The number of directors who were members of pension schemes was :

Defined benefit scheme	<u>2</u>	<u>6</u>
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KVAERNER SERVICES LIMITED

Notes to the Financial Statements

8. Tangible fixed assets

	Plant and Equipment £
Cost:	
At 31st December 1996	1,431,968
Additions	906,892
Transfers from group undertakings	667,867
	<u>3,006,727</u>
Disposals	(160,279)
Transfers to group undertakings	<u>(11,569)</u>
At 31st December 1997	<u>2,834,879</u>
Accumulated depreciation:	
At 31st December 1996	954,634
Transfers from group undertakings	478,390
Charge for the year	288,542
	<u>1,721,566</u>
Disposals	(153,551)
Transfers to group undertakings	<u>(10,359)</u>
At 31st December 1997	<u>1,557,656</u>
Net book value:	
At 31st December 1997	<u>1,277,223</u>
At 31st December 1996	<u>477,334</u>

Plant and equipment includes motor vehicles, computer equipment, a printing machine and office furniture and equipment.

KVAERNER SERVICES LIMITED

Notes to the Financial Statements

9. Leased assets

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Operating lease commitments :		
Annual rentals under operating leases are payable as follows :		
Motor vehicles :		
in respect of leases expiring between two and five years	150,000	220,000
	<u>150,000</u>	<u>220,000</u>

10. Fixed assets investments

	Shares in subsidiary undertakings £
Cost	
At 31st December 1996	14,891,821
Additions	2,916,922
Disposals	(2,887,818)
At 31st December 1997	<u>14,920,925</u>
Provision	
At 31st December 1996	1,966,642
Disposals	(1,339,643)
At 31st December 1997	<u>626,999</u>
Net book value	
At 31st December 1997	<u>14,293,926</u>
At 31st December 1996	<u>12,925,179</u>

During the year, the company acquired Thos. and Jno. Brocklebank Limited. The other party to the transaction was One Berkeley Street Holdings Limited, a subsidiary of Kvaerner Services Limited.

The company disposed of its investment in Euroroute Limited, Trafalgar House Information Systems Limited and Tamar River Crossing Limited, all three of which were dissolved during the year.

KVAERNER SERVICES LIMITED

Notes to the Financial Statements

10. Fixed assets investments (continued)

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

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

	Nature of Business
One Berkeley Street Holdings Limited	Holding company
Collin Wilson Limited	Non operating
Kvaerner Pensions Investment Management Limited	Investment management
Trafalgar House Trustees (PSS) Limited	Trustee of employee share scheme
Kvaerner Technology and Research Limited	Intellectual property
Berkeley Street (No. 2) Limited	Dormant
Kvaerner Investments Limited	Investment holding company
(formerly Berkeley Street (No. 3) Limited	
Kvaerner Sea Launch Limited	Investment holding company
Cunard Travel Limited	Travel agency
Thos. and Jno. Brocklebank Limited	Non operating

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

Trafalgar House Services (Jersey) Limited	Administration services
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KVAERNER SERVICES LIMITED

Notes to the Financial Statements

11. Stocks

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Consumables	<u>117,795</u>	<u>2,677</u>

12. Debtors

Amounts falling due within one year:

Trade debtors	324,514	302,445
Amount owed by ultimate parent undertaking	16,628	36,133
Amount owed by immediate parent undertaking	0	3,860,030
Amounts owed by subsidiary undertakings	77,668	2,095
Amounts owed by fellow subsidiary undertakings	434,523,054	213,529,007
Amounts owed by associated undertakings of the immediate parent company	20,536	0
Other debtors	2,854,093	563,160
Prepayments and accrued income	1,334,739	580,372
Pensions prepayment	187,546	563,000
	<u>439,338,778</u>	<u>219,436,242</u>

Amounts falling due after more than one year:

Other debtors - pensions prepayment	1,875,454	1,500,000
	<u>441,214,232</u>	<u>220,936,242</u>

13. Borrowings

Unsecured bank overdraft	<u>0</u>	<u>498,457</u>
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14. Creditors : amounts falling due within one year

Trade creditors	242,305	7,035
Amount owed to immediate parent undertaking	151,345,413	0
Amounts owed to subsidiary undertakings	14,085,667	12,789,276
Amounts owed to fellow subsidiary undertakings	82,836,789	38,239,406
Other creditors	4,557,044	1,301,562
Other taxes and social security	4,177,223	3,641,892
Accruals and deferred income	1,901,725	1,547,024
	<u>259,146,166</u>	<u>57,526,195</u>

KVAERNER SERVICES LIMITED

Notes to the Financial Statements

15. Provision for liabilities and charges

	£
At 31st December 1996	7,544,584
Transfer from profit and loss account	1,340,353
Expenditure	(1,923,937)
At 31st December 1997	<u>6,961,000</u>

On 31st 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 31st December 1995.

The liability at 31st December 1997 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.

16. Share capital

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Authorised: 100,000,000 shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid: 100,000,000 shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>

17. Reserves

	Profit and loss account £
At 31st December 1996	68,788,940
Retained profit for the year	<u>26,832,247</u>
At 31st December 1997	<u>95,621,187</u>

18. Reconciliation of movement in shareholders' funds

	Year ended 31/12/1997 £	15 months ended 31/12/1996 £
Opening shareholders' funds	168,788,940	102,253,813
Profit for the year added to shareholders' funds	<u>26,832,247</u>	<u>66,535,127</u>
Closing shareholders' funds	<u>195,621,187</u>	<u>168,788,940</u>

Notes to the Financial Statements

19. 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 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 plc.

20. Ultimate parent company

The immediate parent company is Kvaerner plc (formerly Trafalgar House plc) which is registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by Kvaerner plc.

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 plc at St. James's House, 23 King Street, London SW1Y 6QY.