

TH GROUP SERVICES LIMITED (formerly Kvaerner Services Limited)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**



TH GROUP SERVICES LIMITED (formerly Kvaerner Services Limited)

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a provider of administrative services to other companies within the same group and is an investment holding company.

At the date of these report and accounts the Company and its subsidiaries are members of the TH Global plc group of companies which group is engaged in a work out process.

The Directors do not expect any changes in the business activity in the foreseeable future.

During the year the method used to reallocate internal management charges within the Kvaerner Group (which the Company was a member throughout the year – see *Subsequent Events* below for details of the post balance sheet change in the ultimate ownership of the Company) was changed. As a result, less of the costs were recharged by the Company and, therefore, turnover was lower than in the previous year.

During the year the Company disposed of its investment in Kvaerner Sea Launch Limited to a fellow subsidiary undertaking.

On 31 December 2004, the Company acquired a number of subsidiaries and minority shareholdings from fellow subsidiary undertakings for an aggregate consideration of £246,563,001.

The intention noted in last year's report that another Group company take over the Company's role in the provision of administration services did not proceed.

SUBSEQUENT EVENTS

At 31 December 2004 and until 1 April 2005, the Company was a member of the Kvaerner ASA group of companies. The Company's immediate parent was, and still is, Kvaerner E&C Holdings Limited (formerly Kvaerner E&C PLC), which company is an indirect subsidiary of TH Global plc (formerly Kvaerner PLC). At 1 April 2005, a management buy-out of certain assets and liabilities of Kvaerner ASA, including the shares of TH Global plc, took place with consequential change in the ultimate parent company and ultimate controlling party of the Company (see Note 18 for details of the Company's ultimate controlling party at the date of approval of these report and accounts).

Subsequent to the year-end, the Company has provided for impairment in the value of subsidiaries in an aggregate amount of £7,323,773. The impairment losses are recognised in these financial statements.

During January 2006 the Company disposed of its minority shareholding in Jo Sypress Shipping CV to the majority partner in that company.

On 20 March 2006, Kvaerner PLC changed name to TH Global plc.

The Company has entered into an agreement to dispose of its minority investment in Rosenberg Verft AS to third parties. Completion of the agreement is conditional upon the occurrence of certain events which events have not yet occurred and consequently, at the date of these report and accounts the sale has not completed.

During August 2006, the Kvaerner Pension Fund assumed all rights and obligations relating to the Permanent Disability Scheme in consideration of a payment of £512,596 from the Company.

CHANGE OF NAME

On 7 October 2004 the Company changed its name back to Kvaerner Services Limited having previously changed its name to Aker Kvaerner Services UK Limited on 20 November 2003. Subsequently, on 20 March 2006 the Company changed its name to TH Group Services Limited.

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TH GROUP SERVICES LIMITED (formerly Kvaerner Services Limited)

DIRECTORS' REPORT, continued

FINANCIAL STATEMENTS AND DIVIDEND

The financial statements of the Company appear on pages 5 to 12, inclusive.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2004 (2003: £245,000,000).

DIRECTORS

The current Directors are listed below.

Steffen Føreid
Rufus Laycock
Runar Nilsen

Ron Woods resigned as a Director on 8 October 2004. On 29 October 2004, Richard Brown and Finn Fosse resigned as Directors and Rufus Laycock and Nigel Williams were appointed as Directors. Nigel Williams subsequently resigned from the Board on 23 June 2006. Richard Brown was reappointed a Director on 23 June 2006 and subsequently resigned on 8 August 2006. Steffen Føreid and Runar Nilsen were appointed Directors on 23 June 2006.

DIRECTORS' INTERESTS

No Director during the year had any interest in the shares of the Company or any other company within the same group to be disclosed in terms of the Companies Act 1985.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

Statutory Regulations issued under the Companies Act 1985 require the Company to make a statement of its policy and practice on the payment of trade creditors. It is the Company's policy that payments to suppliers are made in accordance with agreed terms and in accordance with its contractual and other legal obligations, provided that the supplier is also complying with all relevant terms and conditions. The average creditor payment period during 2004 was 21 days (2003: 21 days).

ANNUAL GENERAL MEETING

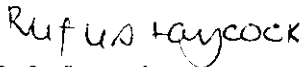
The Company has dispensed with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings.

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: 28 September 2006

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.

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Report of the independent auditors to the members of TH Group Services Limited (formerly Kvaerner Services Limited)

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 audit 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
EC4Y 8BB
London

28 September 2006

Profit and Loss Account for the year ended 31 December 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|---------------------|----------------------|
| Turnover | 2 | 7,027,137 | 13,693,732 |
| Cost of sales | | <u>(8,124,729)</u> | <u>(8,287,958)</u> |
| Gross (loss)/profit | | (1,097,592) | 5,405,774 |
| Administrative expenses | 3 | <u>(7,323,773)</u> | <u>(2,063,000)</u> |
| Operating (loss)/profit | | (8,421,365) | 3,342,774 |
| Interest receivable and similar income | 3 | 31,609,172 | 27,761,226 |
| Interest payable and similar charges | 3 | <u>(12,545,730)</u> | <u>(10,524,271)</u> |
| Profit on ordinary activities before taxation | 3 | 10,642,077 | 20,579,729 |
| Tax on profit on ordinary activities | 4 | <u>-</u> | <u>-</u> |
| Profit for the financial year | | 10,642,077 | 20,579,729 |
| Final dividend on equity shares | | - | (245,000,000) |
| Profit/(loss) for the financial year transferred to/from reserves | 14 | <u>10,642,077</u> | <u>(224,420,271)</u> |

All activities of the company are continuing operations.

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

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

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Balance Sheet at 31 December 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Investments | 8 | <u>248,240,799</u> | <u>9,001,571</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | 151 | 721 |
| Debtors | 10 | 374,439,330 | 567,681,955 |
| Cash at bank and in hand | | <u>8,827,228</u> | <u>29,845,402</u> |
| | | <u>383,266,709</u> | <u>597,528,078</u> |
| CREDITORS: | | | |
| AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(517,426,304)</u> | <u>(502,757,522)</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(134,159,595)</u> | <u>94,770,556</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>114,081,204</u> | <u>103,772,127</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | 12 | <u>(2,455,000)</u> | <u>(2,788,000)</u> |
| NET ASSETS | | <u>111,626,204</u> | <u>100,984,127</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 100,000,000 | 100,000,000 |
| Profit and loss account | 14 | 11,626,204 | 984,127 |
| EQUITY SHAREHOLDERS' FUNDS | 15 | <u>111,626,204</u> | <u>100,984,127</u> |

These financial statements were approved by the Board of Directors on 28 September 2006 and signed on its behalf by :

Rufus Laycock
Rufus Laycock
Director

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.

(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.

There are a number of uncertainties in relation to the going concern nature of the TH Global plc (formerly Kvaerner PLC) Group. The Group faces considerable risks with regard to significant liabilities and costs related to legal disputes and other uncertainties. The main uncertainty at the date of approval of these financial statements, which uncertainty has arisen since the management buy-out effective 1st April 2005, is the successful completion of the agreed final settlement with the Kvaerner Pension Fund. For reasons which could not have been reasonably foreseen by the management buy-out team, the situation regarding the funding deficit of the Kvaerner Pension Fund has deteriorated significantly since April 2005. The validity of the going concern basis materially depends on the successful completion of the final settlement.

On 26 April 2006, TH Global plc (formerly Kvaerner PLC) and certain subsidiaries and third parties entered into an agreement with the Trustee of the Kvaerner Pension Fund to address the current and future funding of the significant deficit of the Kvaerner Pension Fund. Completion of final settlement is subject to certain conditions.

The successful completion of the final settlement would result in the elimination of the principal uncertainty relating to going concern. At the date of approval of these financial statements the final settlement remains subject to the satisfaction of certain conditions. The Directors of TH Global plc (formerly Kvaerner PLC) have reviewed the likelihood of the fulfilment of these conditions and concluded that there is reasonable prospect that the agreed final settlement will be completed.

(c) Cash flow statement and related party transactions

The company has taken advantage of the exemption under the rules of FRS 1 not to produce a cash flow statement, and the exemption under the rules of FRS 8 not to disclose related party transactions with members of the same group on the grounds that the Company is included in the consolidated financial statements of a parent undertaking which accounts are publicly available.

(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) Leased assets

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

(f) Fixed asset investments

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

(g) Stocks

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

(h) Pensions

The Company participates in a Group defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The Company ceased to participate in a Group pension scheme providing benefits based on final pensionable salary on 1 May 2004 following the transfer of participating employees to fellow subsidiary undertakings. At 31 December 2003, the Company transferred its employees to fellow subsidiary undertakings as part of an extensive restructuring of the Kvaerner ASA group. A small number of employees who were members of the Permanent Disability Scheme remained employed by the company until 1 May 2004 when they also transferred their employment to a fellow subsidiary.

The assets of the scheme are held separately from those of the company. Contributions to the scheme were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Notes to the financial statements

1. Accounting policies (continued)

(i) Taxation

The charge for taxation is based on the profit for the year.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

2. Analysis of turnover

| | 2004 £ | 2003 £ |
|-------------------------------------|------------------|-------------------|
| By geographical area : | | |
| Australasia | 72,707 | 158,728 |
| North America | 365,627 | 418,491 |
| Europe - EC | 34,548 | 181,368 |
| United Kingdom | 4,044,956 | 10,226,304 |
| Norway | 2,509,299 | 2,708,841 |
| | <u>7,027,137</u> | <u>13,693,732</u> |
| By class of business : | | |
| Continuing operations : | | |
| Management fees and service charges | 7,027,137 | 13,693,732 |

3. Profit on ordinary activities before taxation

| | 2004 £ | 2003 £ |
|--|-------------------|-------------------|
| Profit on ordinary activities before taxation is stated after charging/(crediting) : | | |
| Auditors' remuneration | | |
| Audit fees - for the company and other group undertakings | 200,000 | 123,154 |
| Other - amounts paid to auditors | 62,800 | 120,691 |
| PDS liability / (provision release) (note 12) | 245,959 | (67,737) |
| Write-off pension asset and impairments on investments | | |
| Pension asset | - | 2,063,000 |
| Impairment of investments | 7,323,773 | - |
| Hire costs including operating lease payments: | | |
| Hire of motor vehicles | - | 36,936 |
| Interest paid to group companies | 12,343,931 | 10,233,117 |
| PDS interest | 201,799 | 291,154 |
| | <u>12,545,730</u> | <u>10,524,271</u> |
| Interest received from bank | 376,885 | 762,776 |
| Interest received from group companies | 31,232,287 | 26,998,450 |
| | <u>31,609,172</u> | <u>27,761,226</u> |

Notes to the financial statements

4. Tax on profit on ordinary activities

There is no charge to corporation tax on the profit for the year (2003: £nil). There is no liability to deferred tax at 31 December 2004 (2003: £nil).

Factors affecting the current tax charge

The tax assessed for the year is lower (2003: lower) than the standard rate of corporation tax in the UK.

The differences are as follows:-

| | 2004 £ | 2003 £ |
|--|-------------|-------------|
| Profit on ordinary activities before taxation | 10,642,077 | 20,579,729 |
| Taxation charge at UK Corporation rate of 30% (2003:30%) | 3,192,623 | 6,173,919 |
| Effects of | | |
| Group relief for which no payment is made | (5,371,718) | (6,204,174) |
| Capital allowances in excess of depreciation | (60,611) | (80,515) |
| Expenditure not deductible for tax | 2,239,706 | 110,770 |
| | <u>-</u> | <u>-</u> |

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.

The TH Global plc UK tax group has brought forward tax losses estimated at £230 million and surplus Advance Corporation Tax of approximately £192 million.

There is no potential liability to deferred taxation (2003 - £NIL).

5. Staff numbers and costs

| | 2004 Number | 2003 Number |
|---|----------------|------------------|
| The average number of employees, all of whom were engaged in the United Kingdom on the company's principal activity : | | |
| Directly employed personnel | 12 | 52 |
| Agency personnel | 45 | - |
| Total Management and administration (includes agency personnel) | <u>57</u> | <u>52</u> |
| | 2004 £ | 2003 £ |
| Staff costs for directly employed personnel including directors' emoluments | | |
| Wages and salaries | 552,701 | 3,104,872 |
| Social security costs | 62,304 | 358,566 |
| Other pension costs (note 16) | 29,460 | 305,924 |
| | <u>644,465</u> | <u>3,769,362</u> |

6. Directors' remuneration

| | 2004 Number | 2003 Number |
|---|----------------|----------------|
| Pensions | | |
| The number of directors who were members of pension schemes was : | | |
| Defined benefit scheme | <u>2</u> | <u>1</u> |

None of the directors received any remuneration for their services to the company during the year (2003: £nil).

Notes to the financial statements

7. Leased assets

| | 2004 £ | 2003 £ |
|--|-----------|-----------|
| Operating lease commitments : | | |
| Motor vehicles : | | |
| in respect of leases expiring between two and five years | - | 37,478 |

8. Fixed assets investments

| | Shares in subsidiary undertakings £ | Shares in associate undertakings £ | Total shares in subsidiaries and associate undertakings £ |
|-----------------------|---|--|---|
| Cost | | | |
| At 1st January 2004 | 9,001,571 | - | 9,001,571 |
| Additions: | 239,489,001 | 7,074,000 | 246,563,001 |
| Impairment: | (7,323,773) | - | (7,323,773) |
| At 31st December 2004 | <u>241,166,799</u> | <u>7,074,000</u> | <u>248,240,799</u> |

Subsequent to the year-end, the Company has provided for impairment in the value of subsidiaries in an aggregate amount of £7,323,773. The impairment losses are recognised in these financial statements.

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 (ordinary share capital) and are registered in England and Wales:

| | Nature of Business |
|---|-----------------------|
| Dearbridge Limited | Not trading |
| The Direct Spanish Telegraph Company Limited | Not trading |
| Fitzgeorge Limited | Not trading |
| Fitzgeorge 1 Limited | Not trading |
| Fitzgeorge 2 Limited | Not trading |
| Fitzgeorge 4 Limited | Not trading |
| Fitzgeorge June (1) Limited | Leasing |
| Fitzgeorge September (2) Limited | Leasing |
| Fitzgeorge December (5) Limited | Leasing |
| Kazan Engineering Limited (in members' voluntary liquidation) | In liquidation |
| Kvaerner Pensions Investment Management Limited | Investment management |
| Thos and Jno Brocklebank Limited | Not trading |

The following subsidiary undertakings are wholly owned (ordinary share capital) and are registered in Scotland :

| | |
|---------------------------|-------------|
| Fitzgeorge 3 Limited | Not trading |
| Kvaerner National Limited | Not trading |

Acquisition of subsidiary undertakings and minority shareholdings

On 31 December 2004, the Company acquired 100% of the issued share capital of the undermentioned subsidiaries and, in addition, the minority shareholdings shown below from fellow subsidiary undertakings for a total consideration of £246,563,001.

| | Country of incorporation | Nature of business |
|--|-----------------------------|--|
| Clavis Maris Finlandiae Oy | Finland | Not trading |
| Kvæmer Energy AS | Norway | Not trading |
| Kvaerner International Pte Limited | Singapore | Not trading |
| Kvaerner Kenny Limited | England | Not trading |
| Kvæmer Oil & Gas AS | Norway | Not trading |
| Kvaerner Pte Limited | Singapore | Not trading |
| Kvæmer Pulping AS | Norway | Not trading |
| Kvæmer Ulsteinvik AS | Norway | Not trading |
| Kvæmer Water Systems AS (in liquidation) | Norway | In liquidation |
| Kvæmer Yards ASA | Norway | Not trading |
| Associated companies: | | |
| Buøy Invest AS (30% owned) | Norway | Real estate |
| Express Ferries Limited (21% owned) | Guernsey | Passenger ferries |
| Jo Syress Shipping CV (49% owned) | Netherlands | Ownership and operation of liquid product tanker |
| Kvæmer Rosenberg Verft AS (18% owned) | Norway | Real estate |
| AS Nordic Jetline (20% owned) | Estonia | Passenger ferries |
| Nordic Jetline Oy (20% owned) | Finland | Passenger ferries |

During January 2006 the Company disposed of its minority shareholding in Jo Syress Shipping CV to the majority partner in that company.

Notes to the financial statements

9. Stocks

| | 2004 | 2003 |
|----------------------|------------|------------|
| | £ | £ |
| Stock of consumables | <u>151</u> | <u>721</u> |

10. Debtors

| | 2004 | 2003 |
|--|--------------------|--------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 26,634 | 822,402 |
| Amount owed by ultimate parent undertaking | 1,358,318 | 1,519,376 |
| Amounts owed by subsidiary undertakings | 250,459 | 233,592 |
| Amounts owed by fellow subsidiary undertakings | 370,283,624 | 563,954,288 |
| Other debtors | 1,989,866 | 721,867 |
| Prepayments and accrued income | <u>530,429</u> | <u>430,430</u> |
| | <u>374,439,330</u> | <u>567,681,955</u> |

11. Creditors : amounts falling due within one year

| | 2004 | 2003 |
|--|--------------------|--------------------|
| | £ | £ |
| Trade creditors | 290,298 | 179,135 |
| Amounts owed to immediate parent | 236,499,933 | 245,000,000 |
| Amounts owed to subsidiary undertakings | 305,679 | 305,679 |
| Amounts owed to fellow subsidiary undertakings | 277,491,105 | 255,166,451 |
| Other taxes and social security | 10,001 | 201,363 |
| Other creditors | 1,513,928 | 559,433 |
| Accruals and deferred income | <u>1,315,360</u> | <u>1,345,461</u> |
| | <u>517,426,304</u> | <u>502,757,522</u> |

12. Provisions for liabilities and charges

| | £ |
|-------------------------------------|------------------|
| At 1 January 2004 | 2,788,000 |
| Transfer to profit and loss account | 245,959 |
| Expenditure | <u>(578,959)</u> |
| At 31 December 2004 | <u>2,455,000</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 employees whose employment commenced on or before 31 December 1995. As described in note 1(h), all employees who were members of the Permanent Disability Scheme transferred their employment to a fellow subsidiary undertaking on 1 May 2005. In August 2006 the Kvaerner Pension Fund assumed all the rights and obligations relating to the Permanent Disability Scheme in consideration for a payment of £512,596 from the company.

The liability at 31 December 2004 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.

13. Share capital

| | 2004 |
|--|--------------------|
| | £ |
| Authorised: | |
| 100,000,000 ordinary shares of £1 each | <u>100,000,000</u> |
| Allotted, called up and fully paid: | |
| 100,000,000 ordinary shares of £1 each | <u>100,000,000</u> |

14. Reserves

| | Profit and loss account £ |
|---|---------------------------------|
| At 1 January 2004 | 984,127 |
| Profit for the year transferred to reserves | 10,642,077 |
| At 31 December 2004 | <u>11,626,204</u> |

Notes to the financial statements

15. Reconciliation of movement in shareholders' funds

| | 2004 £ | 2003 £ |
|---|--------------------|--------------------|
| Opening shareholders' funds | 100,984,127 | 325,404,398 |
| Profit/(loss) for the year added to shareholders' funds | 10,642,077 | (224,420,271) |
| Closing shareholders' funds | <u>111,626,204</u> | <u>100,984,127</u> |

16. Pensions

The company's employees at 31 December 2004 are members of a defined contribution pension scheme operated by the Kvaerner PLC Group.

As explained in Note 1(h), the company ceased to participate in the defined benefit scheme at 1 May 2004.

In terms of the defined benefit and defined contributions schemes 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 are included in the report and financial statements of Kvaerner PLC.

The pension charge in the period represents contributions payable by the Company to the schemes and amounted to £608,108 (2003 £216,783) in respect of the defined benefit scheme and £74,219 (2003 £89,142) in respect of the defined contribution schemes.

Contributions amounting to £37,893 (2003 £20,776) in respect of the defined benefit scheme and £1,150 (2003 £318,000) in respect of the defined contribution schemes were payable at the year end and were included within creditors.

17. Contingent Liability

Of the total cash and bank balance on the balance sheet, £8,827,228 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.

18. Ultimate parent company and controlling party

The immediate parent company is Kvaerner E&C Holdings Limited (formerly Kvaerner E&C PLC), incorporated in England and Wales.

At 31st December 2004, the largest group in which the results of the Company were consolidated was that headed by The Resource Group TRG AS, incorporated in Norway.

The smallest group in which they are consolidated is that headed by Kvaerner PLC, incorporated in England and Wales. The consolidated financial statements of Kvaerner PLC are available to the public and may be obtained from Companies House and/or Kvaerner PLC at 68 Hammersmith Road, London W14 8YW.

At 31st December 2004, the Company's ultimate parent was The Resource Group TRG AS. Throughout the year under review, The Resource Group TRG AS was controlled by Kjell Inge Røkke and his interests.

19. Post balance sheet event

At 1st April 2005, a management buy-out of certain assets and liabilities, including the shares of Kvaerner PLC, of Kvaerner ASA took place. Consequently, at the date of approval of these financial statements, The Glacier Trust, established under the laws of Guernsey, is to be regarded as the Company's ultimate controlling party.

On the 20 March 2006 the Company changed its name from Kvaerner Services Limited to TH Group Services Limited.