TH GROUP SERVICES LIMITED

Directors' Report And Unaudited Financial Statements

For the year ended 31 December 2012

Company Registration No. 00932159 (England and Wales)

TH GROUP SERVICES LIMITED

COMPANY INFORMATION

Directors	Rufus Laycock Runar Nilsen
Company number	00932159
Registered office	Surrey House 36-44 High Street Redhill Surrey RH1 1RH

TH GROUP SERVICES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their 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 restructuring 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 Company is a provider of administrative services to other companies in the TH Global Group and is an investment holding company

The Company is the recipient of industrial injury and disease claims submitted by former employees The Company does not hold the liability for these claims During the 1970s, 1980s and 1990s the Company was the central UK employer and administration services provider of the former Trafalgar House group of companies and later, Kvaerner group of companies In its role the Company acted both as the employing company of monthly paid UK employees of the Trafalgar House group and/or as payroll agent Employees were seconded by the Company to the various UK operating companies comprising the Trafalgar House and later, Kvaerner, groups The burden of paying remuneration, allowances and employment related benefits and discharging liabilities incurred in relation to the employment was, and is, the responsibility of the relevant operating company Consequently, the Company has no liability in respect of liabilities related to its employees seconded to the various operating companies

Directors
The following directors have held office since 1 January 2012

Rufus Laycock
Runar Nilsen

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have 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 directors must not approve the financial statements unless they are 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 period In preparing these financial statements, the directors are 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 inappropriate to presume that the company will continue in business

The directors are 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 them to ensure that the financial statements comply with the Companies Act 2006 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

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

On behalf of the board

Rufus Laycock

Rufus Laycock
Director 10 May 2013

TH GROUP SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Administrative expenses		(456,524)	(334,200)
Profit on intra-group winding up of subsidiaries		-	992
Creation of provision against investment in subsidiaries		-	(209,066)
Operating loss	2	(456,524)	(542,274)
Interest receivable and similar income	3	1,511,372	-
Interest payable and similar charges	4	(213,137)	(211,656)
Profit/(loss) on ordinary activities before taxation		841,711	(753,930)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) for the year	12	841,711	(753,930)

TH GROUP SERVICES LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Investments	7		44,441,000		44,441,000
Current assets					
Debtors	8	403,259,239		403,297,555	
Creditors amounts falling due within one year	10	(344,762,340)		(345,642,367)	
Net current assets			58,496,899		57,655,188
Total assets less current liabilities			102,937,899		102,096,188
Capital and reserves					
Called up share capital	11		100,000,000		100,000,000
Profit and loss account	12		2,937,899		2,096,188
Shareholders' funds			102,937,899		102,096,188

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

Directors' responsibilities
- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476,
- The directors acknowledge their 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)

Approved by the Board for issue on 10 May 2013

Rufus Laycock

Rufus Laycock
Director

Company Registration No. 00932159

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 Directors of the Company consider 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors of the Company have 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 Directors of the Company have therefore recognised the inter company 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 in to 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

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

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

1.5 Group accounts

The company qualifies as a small company and the group headed by it qualifies as a small group pursuant to Part 15 of the Companies Act 2006 and is exempt from the requirement to prepare group accounts on the grounds of its size

2 Operating loss	**2012**	**2011**
	£	**£**
Operating loss is stated after charging		
Directors' remuneration	296,193	205,912

		2012	2011
3	**Interest receivable and similar income**	**£**	**£**
	External Interest receivable	32	-
	Dividend receivables	1,501,340	-
	Sundry income	10,000	-
		1,511,372	-

		2012	2011
4	**Interest payable and similar charges**	**£**	**£**
	Included in interest payable is the following amount		
	Interest payable to group companies	213,137	211,249
	Foreign Exchange Loss	-	407
		213,137	211,656

5 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 lower 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	841,711	(753,930)
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24 5% (2011 - 26 5%)	206,219	(199,791)
Effects of		
Capital allowances in excess of depreciation	(5,846)	(8,545)
Income not assessable for tax purposes - dividend from subsidiary	(367,828)	-
Expenditure not deductible for tax purposes	13,538	1,321
Profit on sale of subsidiaries and investments	-	(263)
Increase in losses carried forward	153,917	151,875
Provision against investment in subsidiaries	-	55,403
	(206,219)	199,791
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)

6 Directors' remuneration

	2012 £	2011 £
Directors' Emoluments	296,193	205,912

The directors are remunerated by the Company for their services to the Company and the wider TH Global Group It is not practical to allocate the remuneration between Group companies

7 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2012	61,609,268
Additions	22,797
Disposal on winding up of subsidiary undertakings	(258,068)
At 31 December 2012	61,373,997
Impairment	
At 1 January 2012	17,168,268
Reversal on winding up of subsidiary undertakings	(258,068)
Creation of provision against investment in subsidiaries	22,797
At 31 December 2012	16,932,997
Net book value	
At 31 December 2012	44,441,000
At 31 December 2011	44,441,000

Subsidiary Undertakings

Company	Country of registration or incorporation	Shares held Class	%
Direct Subsidiaries			
Kvaerner Deutschland GmbH (in liquidation)	Germany	Ordinary	100 00
Kvaerner International Pte Limited	Singapore	Ordinary	100 00
Kvaerner Oil & Gas AS	Norway	Ordinary	100 00
Indirect Subsidiaries			
Kvaerner Warnow Werft GmbH (in liquidation)	Germany	Ordinary	100 00
Clavis Maris Finlandiae OY	Finland	Ordinary	100 00
TH Finland Oy	Finland	Ordinary	100 00

Indirect subsidiaries relate to shares held by a subsidiary undertaking(s) of the Company

7 Fixed asset investments **(continued)**

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 Deutschland GmbH (in liquidation)	Not trading	-	-
Kvaerner International Pte Limited	Not trading	(SGD 5,980)	(SGD 13,135)
Kvaerner Oil & Gas AS	Not trading	(NOK294,209,258)	NOK 702,355
Kvaerner Warnow Werft GmbH (in liquidation)	Not trading	-	-
Clavis Maris Finlandiae OY	Not trading	EUR 47,600,312	EUR 139,687
TH Finland Oy	Not trading	EUR 11,824,969	EUR 63,298

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

8 Debtors

	2012 £	2011 £
Trade debtors	-	49,675
Other debtors	-	301
VAT recoverable	15,647	9,933
Amounts owed by fellow subsidiary undertakings	403,242,550	403,236,496
Prepayments and accrued income	1,042	1,150
	403,259,239	403,297,555

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

9 Cash at bank

The Company is a participant in a multicurrency group bank account and banking facility with DNB Bank ASA The Company has a contingent liability in terms of an undertaking given to DNB Bank ASA in support of borrowings of other TH Global group companies party to this group bank account and banking facility

Of the total cash and bank balance on the balance sheet, £(492,338) (2011 £(1,702,015)), are deposits held in bank sub-accounts that are part of a group pooling system Other TH Global group companies may have withdrawn amounts deposited on such 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 TH Global group and any credit balance represent borrowings

TH GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

10 Creditors amounts falling due within one year	**2012**	**2011**
	£	**£**
Overdraft in group cash pooling arrangement	492,338	1,702,015
Trade creditors	1,250	-
Amounts owed to fellow subsidiary undertakings	344,133,443	343,920,305
VAT refund to be repaid to group companies	62,220	-
Accruals and deferred income	73,089	20,047
	344,762,340	345,642,367

11 Share capital	**2012**	**2011**
	£	**£**
Allotted, called up and fully paid		
100,000,000 ordinary shares of £1 each	100,000,000	100,000,000

12 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 2012	2,096,188
Profit for the year	841,711
Balance at 31 December 2012	2,937,899

13 Control

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

14 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 (Directors' emoluments) for further information