

Company Registration No. 932159

KVAERNER SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



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KVAERNER SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activities are the provision of management and administrative services to other companies within the Aker Kvaerner Group, the ultimate parent of which is Aker Kværner ASA, a public company registered in Norway, 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

No interim dividend was declared during the year and the Directors do not recommend the payment of a final dividend in respect of the year 31 December 2002 (2001: £nil).

DIRECTORS

Shown below are the Directors who served during the year. There have been no changes to the Board of directors between 31 December 2002 and the date of this report.

R. Brown	(appointed 23 March 2002)
F.E. Fosse	
L.N. Simpson	(resigned 22 March 2002)
R.E. Woods	(appointed 23 March 2002)

DIRECTORS' INTERESTS

No Director has, or during the year had, or at the time he became a Director had, any interest in the shares of the Company or any other company within the Aker Kvaerner Group to be disclosed in accordance with the Companies Act 1985. The Directors are exempt from disclosing their interest, if any, in the shares of the ultimate parent company, Aker Kværner ASA, as it is incorporated outside of the UK.

No Director is, or was, materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business.

EMPLOYMENT POLICIES

Aker Kvaerner is a competence based group. Employees' individual knowledge and qualities, and the ability to bring together and direct this expertise in the course of operations, constitutes the core of all the Group's activities.

Aker Kvaerner is committed to being seen as an attractive employer for all groups of employees, independent of nationality, gender, religion and age.

Further details of Aker Kvaerner's employee relations are given in the annual report of Aker Kværner ASA.

KVAERNER SERVICES LIMITED

DIRECTORS' REPORT (continued)

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. Business Areas and Business units within Aker 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 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 2002 was 21 days (2001: 21 days).

ANNUAL GENERAL MEETING

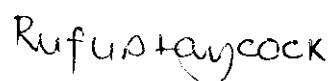
The Company has dispensed with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings.

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: 13 OCTOBER 2003.

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 13.

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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

23 October 2003

KVAERNER SERVICES LIMITED

Profit and Loss Account for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	20,158,771	27,227,647
Cost of sales		<u>(9,439,513)</u>	<u>(25,901,041)</u>
Operating profit		10,719,258	1,326,606
Restructuring costs	3	661,732	(1,925,000)
Dividend income from subsidiary undertaking		-	345,104
Profit/(loss) on ordinary activities before interest		11,380,990	(253,290)
Interest payable and similar charges		(11,091,724)	-
Interest receivable and similar income	3	<u>27,599,118</u>	<u>28,860,620</u>
Profit on ordinary activities before taxation	3	27,888,384	28,607,330
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
Retained profit for the financial year transferred to reserves	15	<u><u>27,888,384</u></u>	<u><u>28,607,330</u></u>

All activities of the company are continuing operations.

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.

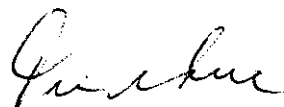
KVAERNER SERVICES LIMITED

Balance Sheet at 31 December 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	-	8,290
Investments	9	9,001,571	9,001,571
		<u>9,001,571</u>	<u>9,009,861</u>
CURRENT ASSETS			
Stocks	10	3,947	66,540
Debtors	11	540,602,051	520,563,874
Cash at bank and in hand		31,333,989	24,691,054
		<u>571,939,987</u>	<u>545,321,468</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	12	(251,882,160)	(248,469,315)
NET CURRENT ASSETS		<u>320,057,827</u>	<u>296,852,153</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>329,059,398</u>	<u>305,862,014</u>
PROVISION FOR LIABILITIES AND CHARGES	13	(3,655,000)	(8,346,000)
NET ASSETS		<u><u>325,404,398</u></u>	<u><u>297,516,014</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	100,000,000	100,000,000
Profit and loss account	15	225,404,398	197,516,014
EQUITY SHAREHOLDERS' FUNDS	16	<u><u>325,404,398</u></u>	<u><u>297,516,014</u></u>

These financial statements were approved by the Board of Directors on 13 OCTOBER, 2003
and signed on its behalf by :

F. E. FOSSE
Director



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 Aker Kvaerner Group companies. The appropriate amounts will be included in the consolidated financial statements of Aker Kværner 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 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 also participates in a Group pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

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

	2002	2001
	£	£
By geographical area :		
North America	155,848	-
Europe - EC	-	1,135
Europe-Eastern	-	59,167
United Kingdom	19,996,481	27,167,345
Norway	6,442	-
	<u>20,158,771</u>	<u>27,227,647</u>
By class of business :		
Continuing operations :		
Management fees and service charges	20,158,771	27,227,647

3. Profit on ordinary activities before taxation

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated after charging :		
Auditors' remuneration		
Audit fees - for Kvaerner Services Limited and other group undertakings	93,717	175,000
Other - amounts paid to auditors	136,759	223,789
Depreciation:		
Owned assets	8,290	351,608
Hire costs including operating lease payments:		
Hire of motor vehicles	7,281	33,474
and after crediting :		
Interest received from bank	986,809	797,584
Interest received from group companies	26,612,309	28,063,036
Provision release (note 13)	3,051,733	-

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

Factors affecting the current tax charge

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

The differences are as follows:-

	2002 £	2001 £
Profit on ordinary activities before taxation	27,888,384	28,607,330
Taxation charge at UK Corporation rate of 30% (2001:30%)	8,366,515	8,582,199
Effects of		
Group relief for which no payment is made	(6,992,649)	(10,257,826)
Capital allowances in excess of depreciation	(104,567)	(36,904)
Movements on provisions	-	1,316,321
Expenditure not deductible for tax	(1,269,299)	396,210
	-	-

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 Aker Kvaerner PLC UK tax group has brought forward tax losses estimated at £145M and surplus Advance Corporation Tax of approximately £198M.

5. Staff numbers and costs

	2002 Number	2001 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	39	74

Staff costs including directors' emoluments

	2002 £	2001 £
Wages and salaries	4,306,305	6,588,839
Social security costs	555,230	582,975
Other pension costs (note 17)	410,641	230,687
	5,272,176	7,402,501

6. Directors' remuneration

	2002 Number	2001 Number
Pensions		
The number of directors who were members of pension schemes was :		
Defined benefit scheme	1	0

The remuneration of certain director(s) is borne by fellow group undertakings.

KVAERNER SERVICES LIMITED

Notes to the financial statements

7. Tangible fixed assets

	Plant and Equipment £
Cost:	
At 1st January and 31st December 2002	<u>3,721,720</u>
Accumulated depreciation :	
At 1 January 2002	3,713,430
Charge for the year	8,290
At 31 December 2002	<u><u>3,721,720</u></u>
Net book value :	
At 31 December 2002	<u><u>-</u></u>
At 1 January 2002	<u><u>8,290</u></u>

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

8. Leased assets

	2002 £	2001 £
Operating lease commitments :		
Annual rentals under operating leases are payable as follows :		
Motor vehicles :		
in respect of leases expiring between two and five years	<u>7,243</u>	<u>650</u>

9. Fixed assets investments

	Shares in subsidiary undertakings £
Cost	
At 1st January and 31st December 2002	<u><u>9,001,571</u></u>

During the year, the company made no acquisitions :

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 Sea Launch Limited	Investment holding company
Thos. and Jno. Brocklebank Limited	No trading activity
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	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

10. Stocks

	2002	2001
	£	£
Stock of consumables	3,947	66,540

11. Debtors

	2002	2001
	£	£
Amounts falling due within one year:		
Trade debtors	506,566	1,301,955
Amount owed by ultimate parent undertaking	1,443,734	-
Amounts owed by subsidiary undertakings	62,847	395,351
Amounts owed by fellow subsidiary undertakings	534,978,411	511,373,356
Other debtors	702,983	2,069,457
Prepayments and accrued income	844,510	3,360,755
	538,539,051	518,500,874
Amounts falling due after more than one year:		
Other debtors - pensions prepayment	2,063,000	2,063,000
	540,602,051	520,563,874

• KVAERNER SERVICES LIMITED

Notes to the financial statements

12. Creditors : amounts falling due within one year

	2002	2001
	£	£
Trade creditors	254,941	566,995
Amount owed to ultimate parent undertaking	-	136,082
Amounts owed to subsidiary undertakings	271,862	200,000
Amounts owed to fellow subsidiary undertakings	248,960,013	243,418,969
Other taxes and social security	564,767	359,479
Other creditors	417,913	115,243
Accruals and deferred income	1,412,664	3,672,547
	<u>251,882,160</u>	<u>248,469,315</u>

13. Provision for liabilities and charges

	£
At 1 January 2002	8,346,000
Transfer to profit and loss account	(3,051,733)
Expenditure	<u>(1,639,267)</u>
At 31 December 2002	<u>3,655,000</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 2002 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

	2002	2001
	£	£
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 2002	197,516,014
Retained profit for the year	<u>27,888,384</u>
At 31 December 2002	<u>225,404,398</u>

KVAERNER SERVICES LIMITED

Notes to the financial statements

16. Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	297,516,014	268,908,684
Profit for the year added to shareholders' funds	27,888,384	28,607,330
Closing shareholders' funds	<u>325,404,398</u>	<u>297,516,014</u>

17. Pensions

The company's employees are members of defined benefit and defined contribution pension schemes operated by the Aker 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 Aker 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 Aker Kvaerner PLC.

The pension charge cost in the period represents contributions payable by the Company to the schemes and amounted to £204,400 (2001 £207,063) in respect of the defined benefit scheme and £206,241 (2001 £23,624) in respect of the defined contribution scheme.

Contributions amounting to £34,200 (2001 £19,200) in respect of the defined benefit scheme and £285,983 (2001 £95,003) in respect of the defined contribution schemes were payable at the year end and were included within creditors.

18. Contingent Liability

Of the total cash and bank balance on the balance sheet, £31,333,989 are deposits held in bank sub-accounts that are part of a group pooling system. Other Aker 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 Aker Kvaerner group and any credit balance represents borrowings.

19. Ultimate parent company

The immediate parent company is One Berkeley Street Limited which is registered in England and Wales. The smallest group in which the results of the company are consolidated is that headed by Aker Kvaerner PLC which sold its investment in the Company to its 100% subsidiary, One Berkeley Street Limited, during the year.

Aker Kvaerner PLC is registered in England and Wales.

The ultimate parent company is Aker Kværner 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 from the Company Secretary, Aker Kvaerner PLC at Kvaerner House, 68 Hammersmith Road, London W14 8YW.