

YARM ROAD INTERNATIONAL LIMITED

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001
TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS**



Yarm Road International Limited

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year to 31 December 2001.

Principal Activity and Business Review

The Company's principal activity is steel fabrication and bridge building.

The Company did not trade during the year other than to receive bank interest. The Directors do not envisage that the Company will trade in the foreseeable future.

In May 2000 the Aker Kvaerner Group completed the sale of its steel fabrication and bridge building business to its management (MBO), which sale included the trade and certain assets of the Company. Under the sale the Company entered into an arrangement with the MBO for it to manage and be responsible for ensuring the performance of the Company's obligations in respect of contracts and engagements to which the Company remains a party. The arrangement with the MBO continues.

Results

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

Dividends

The Company has a deficit on its profit and loss account. Consequently, no dividend can be paid.

Directors

The Directors who served during the year and subsequent to the year-end are shown below.

Ø. Svanevik	(appointed 17 May 2002)
T. Hiorth	(appointed 14 October 2002)
J.R. Davies	(resigned 30 September 2002)
H.P. Finne	(resigned 16 May 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 same group to be disclosed in accordance with the Companies Act 1985. There were no changes in Directors' share interests during the period from 31 December 2001 (or subsequent date of appointment) to the date of this report.

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.

Auditors

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

Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint 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

R. Laycock
Company Secretary

16th January 2003

Yarm Road International Limited

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 as at the end of the financial year 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, subject to any material departures disclosed and explained in the financial statements; 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 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.

Yarm Road International Limited

INDEPENDENT AUDITORS' REPORT

To the Members of Yarm Road International Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of 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 accounts, 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

16 January 2003

Yarm Road International Limited

Profit & Loss Account for the year ended 31 December 2001

	Notes	<u>Year to</u> <u>31 December</u> <u>2001</u> <u>£000's</u>	<u>Year to</u> <u>31 December</u> <u>2000</u> <u>£000's</u>
TURNOVER			
Continuing operations	2	-	185
Cost of sales		-	(56)
GROSS PROFIT		-	129
Loss on disposal		-	(256)
Operating expenses		-	(379)
Net operating expenses		-	(635)
OPERATING LOSS			
Continuing operations		-	(505)
Interest receivable and similar charges	3	49	103
Interest payable and similar charges	3	-	(601)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	49	(1,004)
Tax on profit/(loss) on ordinary activities	5	-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	14	49	(1,004)

The notes on pages 6 to 9 form part of these accounts.

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


Yarm Road International Limited

Balance Sheet at 31 December 2001

	<u>Notes</u>	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
CURRENT ASSETS			
Debtors	9	22,597	22,896
Cash at bank and in hand		2,227	2,307
		<u>24,824</u>	<u>25,203</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	(16,615)	(7,646)
Borrowings	11	-	(9,397)
		<u>(16,615)</u>	<u>(17,043)</u>
NET CURRENT ASSETS		8,209	8,160
NET ASSETS		<u>8,209</u>	<u>8,160</u>
CAPITAL AND RESERVES			
Called up share capital	12	21,750	21,750
Profit and loss account	13	(13,541)	(13,590)
Equity shareholder's funds	14	<u>8,209</u>	<u>8,160</u>

The notes on pages 6 to 9 form part of these accounts

These accounts were approved by the Board of Directors on 16TH JANUARY 2003 and signed on its behalf by:



Ø. SVANEVIK,
DIRECTOR

Yarm Road International Limited

Notes to the Accounts

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's Financial Statements.

(a) Accounting conventions

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

(b) Cash flow statement

The Company has taken advantage of the exemption under the rules of FRS1 (revised) not to produce a cash flow statement. The appropriate amounts have been included in the consolidated accounts of Kværner ASA.

(c) Related Parties Disclosures

The Company has taken advantage of the exemption contained in FRS8 not to disclose transactions with other members of the Group.

(d) Foreign currencies

Trading results denominated in foreign currencies are translated into sterling at average rates of exchange. Assets and liabilities are translated into sterling at the rates ruling at the year end except where rates of exchange are fixed under contractual arrangements. Other exchange differences are taken to the profit and loss account when they arise.

(e) Turnover

Turnover, which includes inter company trading, represents the sales value of work done and does not include VAT and similar taxes.

(f) 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 accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Overseas taxation is based on profits of overseas subsidiaries and on other overseas income. No provision is made for any tax arising in the event of the distribution of profits retained by overseas subsidiaries and associates.

(g) Depreciation

Depreciation on plant and machinery is provided on a straight line basis over the estimated useful life of 4 years.

(h) Long-term contracts

Amounts recoverable on contracts (other than small works) are valued at anticipated net sales value after provision for contingencies and anticipated future losses on contracts. Claims are included in the valuation of contracts and credited to the profit and loss account to the extent it is virtually certain that the claim will be realised. Small works are valued at the lower of cost plus attributable overheads and net sales value.

Yarm Road International Limited

Notes to the Accounts (continued)

(h) Long-term contracts, continued

Cash received on contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included within provisions for liabilities and charges.

(i) Pensions

The expected cost to the Company of pensions in respect of defined benefit 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. For defined contribution schemes the amount charged to the profit and loss account is the contributions paid during the year.

2. Analysis of turnover and results

All of the turnover and result of the Company in the prior year arose in Asia and from the Company's principal activity.

	<u>Year to</u> <u>31 December</u> <u>2001</u> <u>£000's</u>	<u>Year to</u> <u>31 December</u> <u>2000</u> <u>£000's</u>
<u>Interest receivable and similar charges</u>		
Bank interest	49	103
	<u>49</u>	<u>103</u>
<u>Interest payable and similar charges</u>		
Bank interest	-	523
Other	-	78
	<u>-</u>	<u>601</u>

4. Loss on ordinary activities before taxation

	<u>Year to</u> <u>31 December</u> <u>2001</u> <u>£000's</u>	<u>Year to</u> <u>31 December</u> <u>2000</u> <u>£000's</u>
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of owned assets	-	2

The audit fee for the current year has been borne by the Company's immediate parent company.

5. Tax on loss on ordinary activities

The taxation charge relates to overseas taxation against which UK corporation tax losses are not available for offset.

6. Deferred Tax

There is no potential liability to deferred tax.

Yarm Road International Limited

Notes to the Accounts (continued)

7. Staff numbers and costs

	<u>Year to</u> <u>31 December</u> <u>2001</u> <u>Number</u>	<u>Year to</u> <u>31 December</u> <u>2000</u> <u>Number</u>
The average monthly number of employees all of whom were engaged overseas on the Company's principal activity: Technical Overseas	-	3
Staff costs including directors' emoluments	<u>£000's</u>	<u>£000's</u>
Wages and salaries	-	58
	-	58

8. Directors' Emoluments

No Director received any remuneration from the Company during the year (2000: £Nil).

9. Debtors

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Amounts falling due within one year:		
Amount owed by group undertakings	21,982	22,608
Other debtors	615	288
	<u>22,597</u>	<u>22,896</u>

10. Creditors: Amounts falling due within one year

Trade creditors	233	636
Amounts owed to group undertakings	14,998	5,319
Other taxes and social security	142	142
Other creditors	500	533
Accruals and deferred income	742	1,016
	<u>16,615</u>	<u>7,646</u>
	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>

11. Borrowings

Bank overdraft	-	128
Parent company loan	-	9,269
	-	<u>9,397</u>

12. Called up share capital

Authorised:		
Equity share capital 21,750,000 shares of £1 each	<u>21,750</u>	<u>21,750</u>
Allotted, called up and fully paid:		
Equity share capital 21,750,000 shares of £1 each	<u>21,750</u>	<u>21,750</u>

Yarm Road International Limited

Notes to the Accounts (continued)

13. Profit and loss account

	<u>£000's</u>
As at 1 January 2001	(13,590)
Retained profit/(loss) for the financial year	49
As at 31 December 2001	<u>(13,541)</u>

14. Reconciliation of movements in equity shareholders' funds

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Profit/(Loss) for the year	49	(1,004)
Opening equity shareholders' funds	8,160	9,164
Closing equity shareholders' funds	<u>8,209</u>	<u>8,160</u>

15. Ultimate parent company

Kvaerner PLC heads the smallest group in which the results of the Company are consolidated.

The ultimate parent company is Kvaerner ASA which heads the largest group in which the results of the Company are consolidated.

Copies of the respective financial statements can be obtained from Kvaerner PLC at 68 Hammersmith Road, London W14 8YW.