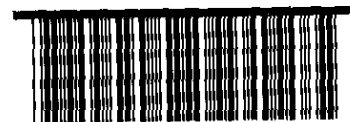


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Report of the Directors and  
Financial Statements for the Year Ended 31 December 2002  
for  
Ticon Insulation Ltd



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for the Year Ended 31 December 2002

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Ticon Insulation Ltd

Company Information  
for the Year Ended 31 December 2002

**DIRECTORS:**

A Sorensen  
P T Norheim  
T Oiseth

**SECRETARY:**

R Andresen

**REGISTERED OFFICE:**

Festival Business Centre  
150 Brand Street  
Glasgow  
G51 1DH

**REGISTERED NUMBER:**

134398 (Scotland)

**AUDITORS:**

McLay, McAlister & McGibbon  
Chartered Accountants &  
Registered Auditors  
53 Bothwell Street  
Glasgow  
G2 6TS

Report of the Directors  
for the Year Ended 31 December 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of thermal insulation contractors.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2002.

**DIRECTORS**

The directors during the year under review were:

A Sorensen  
P T Norheim  
T Oiseth

The directors holding office at 31 December 2002 did not hold any beneficial interest in the issued share capital of the company at 1 January 2002 or 31 December 2002.

**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 of the company for that period. In preparing those financial statements, the directors are required to

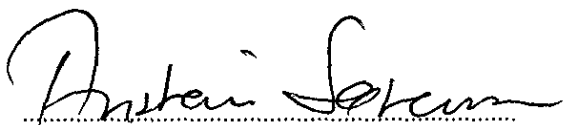
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

The auditors, McLay, McAlister & McGibbon, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



A Sorensen - Director

Date: 09 Sept. 2003

Ticon Insulation Ltd

Report of the Independent Auditors to the Shareholders of  
Ticon Insulation Ltd

We have audited the financial statements of Ticon Insulation Ltd for the year ended 31 December 2002 on pages four to fourteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors' 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**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors 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.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

McLay, McAlister & McGibbon  
Chartered Accountants &  
Registered Auditors  
53 Bothwell Street  
Glasgow  
G2 6TS

Date: 4/9/03

Ticon Insulation Ltd

Profit and Loss Account  
for the Year Ended 31 December 2002

		31.12.02	31.12.01
	Notes	£	£
<b>TURNOVER</b>	2	3,329,959	3,823,526
Cost of sales		2,708,890	3,068,536
<b>GROSS PROFIT</b>		621,069	754,990
Administrative expenses		249,725	280,383
<b>OPERATING PROFIT</b>	4	371,344	474,607
Interest receivable and similar income		4,933	18,616
		376,277	493,223
Interest payable and similar charges	5	772	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		375,505	493,223
Tax on profit on ordinary activities	6	112,652	150,278
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		262,853	342,945
Dividends	7	-	500,000
		262,853	(157,055)
Retained profit brought forward		719,966	877,021
<b>RETAINED PROFIT CARRIED FORWARD</b>		£982,819	£719,966

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

**TOTAL RECOGNISED GAINS AND LOSSES**

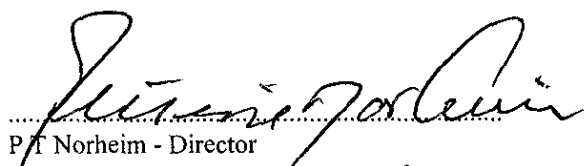
The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

Balance Sheet31 December 2002

		31.12.02		31.12.01	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	8		56,157		10,570
<b>CURRENT ASSETS:</b>					
Stocks	9	227,311		88,655	
Debtors	10	449,620		1,493,050	
Cash at bank and in hand		659,665		184,667	
		1,336,596		1,766,372	
<b>CREDITORS: Amounts falling due within one year</b>	11	388,328		1,055,976	
<b>NET CURRENT ASSETS:</b>			948,268		710,396
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			1,004,425		720,966
<b>CREDITORS: Amounts falling due after more than one year</b>	12		20,606		-
			£983,819		£720,966
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	16		1,000		1,000
Profit and loss account			982,819		719,966
<b>SHAREHOLDERS' FUNDS:</b>	18		£983,819		£720,966

ON BEHALF OF THE BOARD:



P T Norheim - Director

Approved by the Board on 04.09.2003

The notes form part of these financial statements

Ticon Insulation Ltd

Cash Flow Statement

for the Year Ended 31 December 2002

	Notes	31.12.02		31.12.01	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	1		719,360		445,221
<b>Returns on investments and servicing of finance</b>	2		4,161		18,616
<b>Taxation</b>			(150,278)		(72,341)
<b>Capital expenditure</b>	2		(31,067)		(3,956)
<b>Equity dividends paid</b>			-		(500,000)
			<u>542,176</u>		<u>(112,460)</u>
<b>Financing</b>	2		(916)		-
<b>Increase/(Decrease) in cash in the period</b>			<u><u>£541,260</u></u>		<u><u>£(112,460)</u></u>
<hr/>					
<b>Reconciliation of net cash flow to movement in net funds</b>	3				
<b>Increase/(Decrease) in cash in the period</b>			<b>541,260</b>		<b>(112,460)</b>
Cash outflow from decrease in debt and lease financing			<u>916</u>		<u>-</u>
Change in net funds resulting from cash flows			542,176		(112,460)
New finance leases			<u>(24,270)</u>		<u>-</u>
<b>Movement in net funds in the period</b>			<u><b>517,906</b></u>		<u><b>(112,460)</b></u>
<b>Net funds at 1 January</b>			<u><b>95,032</b></u>		<u><b>207,492</b></u>
<b>Net funds at 31 December</b>			<u><u><b>£612,938</b></u></u>		<u><u><b>£95,032</b></u></u>

The notes form part of these financial statements



Notes to the Cash Flow Statement  
for the Year Ended 31 December 2002

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31.12.02 £	31.12.01 £
Operating profit	371,344	474,607
Depreciation charges	9,749	5,063
Increase in stocks	(138,656)	(15,732)
Decrease/(Increase) in debtors	1,043,431	(534,395)
(Decrease)/Increase in creditors	(566,508)	515,678
<b>Net cash inflow from operating activities</b>	<u>719,360</u>	<u>445,221</u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.12.02 £	31.12.01 £
<b>Returns on investments and servicing of finance</b>		
Interest received	4,933	18,616
Interest element of hire purchase or finance lease rentals payments	(772)	-
<b>Net cash inflow for returns on investments and servicing of finance</b>	<u>4,161</u>	<u>18,616</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(31,067)	(3,956)
<b>Net cash outflow for capital expenditure</b>	<u>(31,067)</u>	<u>(3,956)</u>
<b>Financing</b>		
Capital element of hire purchase	(916)	-
<b>Net cash outflow from financing</b>	<u>(916)</u>	<u>-</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement  
for the Year Ended 31 December 2002

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	Other non-cash changes £	At 31.12.02 £
Net cash:				
Cash at bank and in hand	184,667	474,998		659,665
Bank overdraft	(89,635)	66,262		(23,373)
	<u>95,032</u>	<u>541,260</u>		<u>636,292</u>
Debt:				
Hire purchase or finance leases	-	916	(24,270)	(23,354)
	<u>-</u>	<u>916</u>	<u>(24,270)</u>	<u>(23,354)</u>
Total	<u>95,032</u>	<u>542,176</u>	<u>(24,270)</u>	<u>612,938</u>
<b>Analysed in Balance Sheet</b>				
Cash at bank and in hand	184,667			659,665
Bank overdraft	(89,635)			(23,373)
Hire purchase or finance leases				
within one year	-			(2,748)
after one year	-			(20,606)
	<u>95,032</u>			<u>612,938</u>

The notes form part of these financial statements

1. **ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 20% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 25% on cost

**Stocks**

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Work in progress is based on the measured value of the work completed but not invoiced as at the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**Foreign Currencies**

Balances in foreign currencies are translated at the rate ruling at the transaction date. Exchange gains or losses are excluded in the profit and loss account unless they are realised.

Notes to the Financial Statements  
for the Year Ended 31 December 2002

2. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.02	31.12.01
	£	£
United Kingdom	3,306,921	3,629,663
Elsewhere	23,038	193,863
	<u>3,329,959</u>	<u>3,823,526</u>

3. **STAFF COSTS**

	31.12.02	31.12.01
	£	£
Wages and salaries	1,783,027	1,672,740
Social security costs	166,508	158,606
Other pension costs	12,130	6,176
	<u>1,961,665</u>	<u>1,837,522</u>

The average monthly number of employees during the year was as follows:

	31.12.02	31.12.01
Office and Management	2	2
Manufacturing and Insulation	74	75
	<u>76</u>	<u>77</u>

4. **OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.02	31.12.01
	£	£
Depreciation - owned assets	6,685	5,063
Depreciation - assets on hire purchase contracts or finance leases	3,064	-
Auditors' remuneration	<u>3,600</u>	<u>3,600</u>
Directors' emoluments	<u>-</u>	<u>-</u>

5. **INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.02	31.12.01
	£	£
Hire purchase	<u>772</u>	<u>-</u>

Notes to the Financial Statements  
for the Year Ended 31 December 2002

6. **TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.02	31.12.01
	£	£
Current tax:		
UK corporation tax	112,652	150,278
	<u>112,652</u>	<u>150,278</u>
Tax on profit on ordinary activities	<u>112,652</u>	<u>150,278</u>

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.02	31.12.01
	£	£
Profit on ordinary activities before tax	<u>375,505</u>	<u>493,223</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	112,652	147,967
Effects of:		
Advanced capital allowances	(1,802)	(2,104)
Disallowable expenses	3,828	4,415
Other adjustments	(2,026)	-
	<u>112,652</u>	<u>150,278</u>
Current tax charge	<u>112,652</u>	<u>150,278</u>

7. **DIVIDENDS**

	31.12.02	31.12.01
	£	£
Equity shares:		
Final	-	500,000
	<u>-</u>	<u>500,000</u>

Notes to the Financial Statements  
for the Year Ended 31 December 2002

8. TANGIBLE FIXED ASSETS

	Plant and machinery	Motor vehicles	Computer equipment	Totals
	£	£	£	£
<b>COST:</b>				
At 1 January 2002	40,722	12,400	21,327	74,449
Additions	-	51,671	3,666	55,337
At 31 December 2002	40,722	64,071	24,993	129,786
<b>DEPRECIATION:</b>				
At 1 January 2002	37,767	12,400	13,713	63,880
Charge for year	1,523	4,306	3,920	9,749
At 31 December 2002	39,290	16,706	17,633	73,629
<b>NET BOOK VALUE:</b>				
At 31 December 2002	1,432	47,365	7,360	56,157
At 31 December 2001	2,955	-	7,615	10,570

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Motor vehicles
	£
<b>COST:</b>	
Additions	36,770
At 31 December 2002	36,770
<b>DEPRECIATION:</b>	
Charge for year	3,064
At 31 December 2002	3,064
<b>NET BOOK VALUE:</b>	
At 31 December 2002	33,706

9. STOCKS

	31.12.02	31.12.01
	£	£
Work in progress	227,311	88,655

Notes to the Financial Statements  
for the Year Ended 31 December 2002

10. **DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	31.12.02 £	31.12.01 £
Trade debtors	438,981	1,478,760
Prepayments & accrued income	10,639	14,290
	<u>449,620</u>	<u>1,493,050</u>

11. **CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	31.12.02 £	31.12.01 £
Bank loans and overdrafts (see note 13)	23,373	89,635
Trade creditors	73,492	242,448
Hire purchase	2,748	-
Other creditors	108,083	155,695
Due to group companies	-	243,511
Social security & other taxes	67,980	174,409
Taxation	112,652	150,278
	<u>388,328</u>	<u>1,055,976</u>

12. **CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	31.12.02 £	31.12.01 £
Hire purchase	<u>20,606</u>	<u>-</u>

13. **LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	31.12.02 £	31.12.01 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>23,373</u>	<u>89,635</u>

Notes to the Financial Statements  
for the Year Ended 31 December 2002

14. **OBLIGATIONS UNDER LEASING AGREEMENTS**

The following payments are committed to be paid within one year:

	Operating leases	
	31.12.02	31.12.01
	£	£
Expiring:		
Between one and five years	4,095	9,731
	<u>          </u>	<u>          </u>

15. **SECURED DEBTS**

The following secured debts are included within creditors:

	31.12.02	31.12.01
	£	£
Hire Purchase < 1 year	2,748	-
Hire Purchase > 1 year	20,606	-
	<u>          </u>	<u>          </u>
	23,354	-
	<u>          </u>	<u>          </u>

The hire purchase creditor is secured over the assets to which they relate.

16. **CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.02	31.12.01
			£	£
1,000	Ordinary	£1	1,000	1,000
			<u>          </u>	<u>          </u>

17. **ULTIMATE PARENT COMPANY**

The entire share capital of the company is beneficially owned by TI Marine Contracting AS which is registered in Norway. The ultimate parent company of TI Marine Contracting AS is Unitor ASA.

18. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.02	31.12.01
	£	£
Profit for the financial year	262,853	342,945
Dividends	-	(500,000)
	<u>          </u>	<u>          </u>
<b>Net addition/(reduction) to shareholders' funds</b>	262,853	(157,055)
Opening shareholders' funds	720,966	878,021
	<u>          </u>	<u>          </u>
<b>Closing shareholders' funds</b>	983,819	720,966
	<u>          </u>	<u>          </u>
Equity interests	983,819	720,966
	<u>          </u>	<u>          </u>