
NORCOSSE HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2004**



NORCOSSE HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	L Quinn (deceased 12/07/04) O Eimstad E Hokholt (resigned 01/02/05) M Scott
SECRETARY	Breams Registrars and Nominees Ltd
COMPANY NUMBER	4309066
REGISTERED OFFICE	52 Bedford Row London WC1R 4LR
AUDITORS	Bartrum Lerner Registered Auditors & Accountants 39A Welbeck Street London W1G 8DH

NORCOSSE HOLDINGS LIMITED

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NORCOSSE HOLDINGS LIMITED

DIRECTORS' REPORT For the year ended 31 December 2004

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

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.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is the holding and administration of group investments.

While the company's activities reduced significantly in the second half of the year, it did incur costs in consequence of its position as parent of the Norcosse Group (details of which are shown in note 9). The company's affairs have been adversely affected by the deterioration in group operations which has resulted in a further loss as shown below.

Following the year end, the principal trading subsidiary within the group was sold. The company has significant liabilities as shown in the balance sheet on page 6. In view of the situation, the directors have concluded that the company is not a going concern.

The accounts have been drawn up accordingly as set out in note 1 of the accounts.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £562,075 (2003 - Loss £1,136,890).

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	A Ordinary shares of 10p each		B Ordinary shares of 5p each		Ordinary shares of £1 each	
	<u>31/12/04</u>	<u>1/1/04</u>	<u>31/12/04</u>	<u>1/1/04</u>	<u>31/12/04</u>	<u>1/1/04</u>
L Quinn (deceased 12/07/04)	220,000	-	110,000	-	-	1
O Eimstad	220,000	-	110,000	-	-	-
E Hokholt (resigned 01/02/05)	-	-	-	-	-	-
M Scott	220,000	-	110,000	-	-	-

NORCOSSE HOLDINGS LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2004

AUDITORS

The auditors, Bartrum Lerner, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on *22nd March 2006.* and signed on its behalf.



M Scott
Director

NORCOSSE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORCOSSE HOLDINGS LIMITED

We have audited the financial statements of Norcosse Holdings Limited for the year ended 31 December 2004 set out on pages 5 to 15. These financial statements have been prepared under the accounting policies set out on page 8.

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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 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.

We read the Directors' Report 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.

NORCOSSE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORCOSSE HOLDINGS LIMITED

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that have been found to be necessary had we been able to obtain sufficient evidence concerning the company's pension commitments, 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bartrum Lerner.

Bartrum Lerner

Registered Auditors & Accountants

London

Date: *23rd March 2006.*

NORCOSSE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	1, 2	-	44,000
Administrative expenses		<u>(407,010)</u>	<u>(685,281)</u>
OPERATING LOSS	3	(407,010)	(641,281)
EXCEPTIONAL ITEMS	7		
Other exceptional items		<u>-</u>	<u>(491,894)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(407,010)	(1,133,175)
Amounts written off investments		(154,249)	-
Interest payable	6	<u>(816)</u>	<u>(3,715)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(562,075)	(1,136,890)
TAX ON LOSS ON ORDINARY ACTIVITIES		<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>£ (562,075)</u>	<u>£ (1,136,890)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2004 or 2003 other than those included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

NORCOSSE HOLDINGS LIMITED

BALANCE SHEET
As at 31 December 2004

	Note	2004	2003
		£	£
FIXED ASSETS			
Tangible fixed assets	8	-	2,932
Investments	9	2	154,251
		<u>2</u>	<u>157,183</u>
CURRENT ASSETS			
Debtors	10	6,606	5,285
CREDITORS: amounts falling due within one year	11	(1,551,323)	(1,145,108)
NET CURRENT LIABILITIES		<u>(1,544,717)</u>	<u>(1,139,823)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ (1,544,715)</u>	<u>£ (982,640)</u>
CAPITAL AND RESERVES			
Called up share capital	12	154,250	154,250
Profit and loss account	13	(1,698,965)	(1,136,890)
SHAREHOLDERS' FUNDS - All Equity	14	<u>£ (1,544,715)</u>	<u>£ (982,640)</u>

The financial statements were approved by the board on **22nd March 2006** and signed on its behalf.



M Scott
Director

O Eimstad
Director



The notes on pages 8 to 15 form part of these financial statements.

NORCOSSE HOLDINGS LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2004

	Note	2004 £	2003 £
Net cash flow from operating activities	15	816	8,114
Returns on investments and servicing of finance	16	(816)	(3,715)
Capital expenditure and financial investment	16	-	(4,398)
Acquisitions and disposals	16	-	(154,250)
CASH OUTFLOW BEFORE FINANCING		-	(154,249)
Financing	16	-	154,249

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 17)
For the year ended 31 December 2004

	2004 £	2003 £
MOVEMENT IN NET DEBT IN THE YEAR	-	-
Net funds at 1 January 2004	-	-

The notes on pages 8 to 15 form part of these financial statements.

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have not been prepared on a going concern basis. Instead, they have been prepared on the break-up basis because the company has now ceased trading. Amounts in the financial statements are stated at recoverable values. The financial statements are prepared in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	-	20% reducing balance
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1.4 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

1.6 Pensions

The company operates a hybrid pension scheme which is, in part, a defined contribution pension scheme and, partly, a defined benefit scheme.

2. TURNOVER

All turnover relates to intercompany recharges and arose within the United Kingdom.

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	-	1,466
Auditors' remuneration	-	1,500
Difference on foreign exchange	(10,451)	708
	<u><u> </u></u>	<u><u> </u></u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2004	2003
	£	£
Wages and salaries	-	95,463
Social security costs	502	10,687
Other pension costs	360,054	7,038
	<u><u>£ 360,556</u></u>	<u><u>£ 113,188</u></u>

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

	2004	2003
Directors	4	4
Staff	-	2
	<u><u> </u></u>	<u><u> </u></u>
	4	6
	<u><u> </u></u>	<u><u> </u></u>

5. DIRECTORS' REMUNERATION

	2004	2003
	£	£
Emoluments	£ -	£ 41,667
	<u><u> </u></u>	<u><u> </u></u>

6. INTEREST PAYABLE

	2004	2003
	£	£
On other loans	£ 816	£ 3,715
	<u><u> </u></u>	<u><u> </u></u>

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

7. EXCEPTIONAL ITEMS

	2004 £	2003 £
Provision for irrecoverable loans to subsidiaries	£ -	£ 491,894

8. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £
Cost	
At 1 January 2004	4,398
Disposals	(4,398)
At 31 December 2004	-
Depreciation	
At 1 January 2004	1,466
On disposals	(1,466)
At 31 December 2004	-
Net book value	
At 31 December 2004	£ -
At 31 December 2003	£ 2,932

9. FIXED ASSET INVESTMENTS

	Shares in group under- takings £
Cost	
At 1 January 2004	154,251
Amounts written off	(154,249)
At 31 December 2004	£ 2

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

Subsidiary undertakings

The following was a subsidiary undertakings of the company:

Norcosse Services Limited	100% Ordinary shares
Norcosse Pension Trustee Limited	100% Ordinary shares

The aggregate of the share capital and reserves as at 31 December 2004 and of the profit or loss for the year ended on that date for the subsidiary undertakings was as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Norcosse Services Limited	(842,737)	(179,746)
Norcosse Pension Trustee Limited	1	-
	<u> </u>	<u> </u>

During the year, Norcosse Pension Trustee Limited did not undertake any trading activities but acted as trustee to the Norcosse Holdings Pension Fund until 7 October 2004 when a successor trustee was appointed.

Both subsidiaries are incorporated in the United Kingdom.

10. DEBTORS

	2004 £	2003 £
Other debtors	£ 6,606	£ 5,285
	<u> </u>	<u> </u>

Included within other debtors due within one year is a loan to the estate of L Quinn, a late director, amounting to £5,285 (2003 - £5,285). The maximum amount outstanding during the year was £5,285.

11. CREDITORS:

Amounts falling due within one year

	2004 £	2003 £
Trade creditors	83,868	45,520
Amounts owed to group undertakings	1,012,702	1,007,477
Corporation tax	1,321	-
Social security and other taxes	10,854	9,905
Other creditors	442,578	66,321
Accruals and deferred income	-	15,885
	<u>£ 1,551,323</u>	<u>£ 1,145,108</u>

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

12. SHARE CAPITAL

	2004 £	2003 £
Authorised, allotted, called up and fully paid		
1,130,000 A Ordinary shares of 10p each	113,000	113,000
825,000 B Ordinary shares of 5p each	41,250	41,250
	<u>£ 154,250</u>	<u>£ 154,250</u>

13. RESERVES

Profit and loss account	£
At 1 January 2004	(1,136,890)
Loss retained for the year	(562,075)
	<u>£(1,698,965)</u>
At 31 December 2004	<u>£(1,698,965)</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the year	(562,075)	(1,136,890)
Shares issued during the year	-	154,249
	<u>(562,075)</u>	<u>(982,641)</u>
Opening shareholders' funds	(982,640)	1
Closing shareholders' funds	<u>£(1,544,715)</u>	<u>£ (982,640)</u>

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating loss	(407,010)	(641,281)
Exceptional items	-	(491,894)
Depreciation of tangible fixed assets	-	1,466
Loss on disposal of tangible fixed assets	2,932	-
Increase in debtors	-	(5,285)
Increase in creditors	399,669	137,631
Increase in amounts owed to group undertakings	5,225	1,007,477
NET CASH INFLOW FROM OPERATIONS	<u>£ 816</u>	<u>£ 8,114</u>

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

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

	2004 £	2003 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	£ (816)	£ (3,715)
	2004 £	2003 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Sale of intangible fixed assets	(2,932)	-
Purchase of tangible fixed assets	-	(4,398)
Sale of tangible fixed assets	2,932	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	£ -	£ (4,398)
	2004 £	2003 £
ACQUISITIONS AND DISPOSALS		
Purchase of fixed asset investments	£ -	£ (154,250)
	2004 £	2003 £
FINANCING		
Issue of ordinary shares	£ -	£ 154,249

17. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2004 £	Cash flow £	Other non-cash changes £	31 December 2004 £
NET FUNDS	£ -	£ -	£ -	£ -

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

18. PENSION COMMITMENTS

Scheme outline

A pension scheme had been established in 2002 for the company and members of the Norcosse Holdings Limited Group in the U.K. which was, in part, a defined contributions scheme and partly a defined benefits scheme.

In regard to the defined contribution element of the pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund.

The other part of the pension scheme is intended to provide benefits based on final pensionable pay. Again, the assets of the scheme have been held separately from those of the company in an independently administered fund.

Factors affecting the scheme

In the initial period following the establishment of the scheme the scheme trustee established the level of contributions payable for the defined benefits element of the scheme in accordance with the scheme rules with the agreement of the principal employer and having considered the advice of the scheme actuary. However, although an actuarial valuation was subsequently prepared, no schedule of contributions, setting out the level of contributions payable by the principal employer, was agreed. In addition, contributions paid to the scheme had been lower than the amounts recommended by the scheme's original actuary.

As part of the arrangements for the sale of CDE Solutions Limited ("CDE"), one of the scheme member companies, this company entered into an agreement to indemnify CDE's purchasers to the extent that the amounts owed by CDE to the pension scheme exceeded £45,000 - the "CDE indemnity". During 2004, the company and other subsidiaries who remained part of the scheme were unable to resume contributions and in consequence the scheme commenced wind up in November 2004.

The scheme's independent trustee has provided a preliminary indication that the cost of securing deferred pension benefits for the scheme is estimated to be in the region of £875,000. While the directors have received no details for the allocation of this amount between the member companies they have made their own estimate of the amount that they believe is due directly by the company and indirectly attributable as a result of the CDE indemnity. No provision is made for the difference between these amounts and the total liability for the scheme as a whole as mentioned above..

Pension contributions

During 2004 the directors were provided with an estimate of the amount payable by CDE to the pension scheme as being in the region of £142,618. Accordingly a provision of £97,618 has been made for the CDE indemnity. In addition the company has provided the sum of £262,436 in the current year to give the total charge in the profit and loss account of £360,054 (2003 - £7,038).

Included in creditors are amounts payable to the pension scheme of £368,816 (2003 - £8,762).

19. CONTINGENT LIABILITIES

A claim has been made by a former employee of the group for amounts of up to £170,000 that he claims are due to him. The claim arises from the sale of CDE Solutions Limited, a former subsidiary of Norcosse Services Limited, to which the company was a party. While the company refutes the claims made a provision of £73,391 has been made in the accounts.

NORCOSSE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

20. RELATED PARTY TRANSACTIONS

At the year end, the following related party balances existed:

An amount of £571,356 was owed to Terra Energy Services Limited, a subsidiary.
An amount of £441,346 was owed to Norcosse Group AS, a foreign subsidiary.

The above balances are a result of intercompany cost reallocations.

21. POST BALANCE SHEET EVENTS

Subsequent to the year end, the principal trading company of the group, Terra Energy Services Ltd, was sold.

22. CONTROLLING PARTY

The company is under no overall control of any one shareholder, however, the directors together hold a majority of the shares.