

Registered number: 4309066

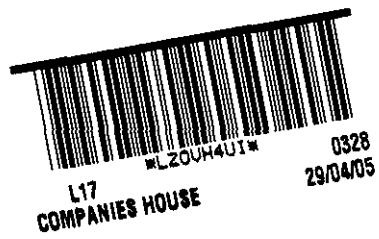
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**NORCOSSE HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2003**



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**NORCOSSE HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	L Quinn (deceased 12 July 2004) O Eimstad E Hokholt M Scott
<b>SECRETARY</b>	Breams Registrars and Nominees Ltd
<b>COMPANY NUMBER</b>	4309066
<b>REGISTERED OFFICE</b>	52 Bedford Row London WC1R 4LR
<b>AUDITORS</b>	Bartrum Lerner Registered Auditors & Accountants 39A Welbeck Street London W1G 8DH

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**NORCOSSE HOLDINGS LIMITED**

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## NORCOSSE HOLDINGS LIMITED

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### DIRECTORS' REPORT For the year ended 31 December 2003

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The directors present their report and the financial statements for the year ended 31 December 2003.

#### 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 ACTIVITIES AND REVIEW OF BUSINESS

At the beginning of the year, as part of the reorganisation of the Norcosse Group, the company acquired the entire share capital of Norcosse Services Limited in exchange for the issue of its share capital to the shareholders of Norcosse Services Limited.

In so doing the company became the ultimate parent of the Norcosse Group (details of which are shown in note 10 to these financial statements), its principal activity being the holding and administration of group investments.

The company incurred significant costs in establishing a central management structure for operations at a time when the group was adversely affected by a restriction on investment in group operations at the same time as suffering from falling group revenues. This has significantly affected the company's business and consequently it has ceased providing the management and administration function on behalf of group companies after the year end. The company had no employees after the year end.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,136,890 (2002 - Profit £nil) .

The directors do not recommend the payment of a dividend.

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## NORCOSSE HOLDINGS LIMITED

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### DIRECTORS' REPORT For the year ended 31 December 2003

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#### 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>31/12/03</u>	<u>1/1/03</u>	<u>31/12/03</u>	<u>1/1/03</u>	<u>31/12/03</u>	<u>1/1/03</u>
L Quinn (deceased 12 July 2004)	220,000	-	110,000	-	-	1 *
O Eimstad	220,000	-	110,000	-	-	-
E Hokholt	-	-	-	-	-	-
M Scott	220,000	-	110,000	-	-	-

(\* held on date of  
appointment)

#### 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 23 FEBRUARY 2005 and signed on its behalf.



**M Scott**  
Director

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## **NORCOSSE HOLDINGS LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORCOSSE HOLDINGS LIMITED**

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We have audited the financial statements of Norcosse Holdings Limited for the year ended 31 December 2003 set out on pages 5 to 17. These financial statements have been prepared under the historical cost convention and 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 except that the scope of our audit work was limited as explained below.

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. However, the evidence available to us relating to the pension commitments, and outlined in note 19 to the financial statements, was not available to determine the extent of further contributions payable by the company to the Norcosse Holdings Pension Fund beyond the amount of £8,762 already provided in creditors.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **GOING CONCERN**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty surrounding additional funding required by the company. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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NORCOSSE HOLDINGS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORCOSSE HOLDINGS LIMITED

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**QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE AND DISAGREEMENT ABOUT ACCOUNTING TREATMENT**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the company's pension commitments and the company's failure to comply fully with the requirements of FRS17 Retirement benefits, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 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

39A Welbeck Street  
London W1G 8DH

Date: *23<sup>rd</sup> February 2005*

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**NORCOSSE HOLDINGS LIMITED**

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**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2003**

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	Note	Year ended 31 December 2003 £	Period ended 31 December 2002 £
<b>TURNOVER</b>	1, 2	44,000	-
Administrative expenses		(685,281)	-
<b>OPERATING LOSS</b>	3	(641,281)	-
<b>EXCEPTIONAL ITEMS</b>	7		
Other exceptional items		(491,894)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(1,133,175)	-
Interest payable	6	(3,715)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,136,890)	-
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	8	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>£ (1,136,890)</u>	<u>£ -</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2003 or 2002 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

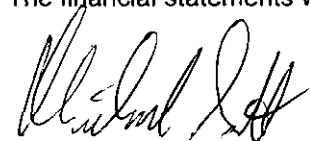


**NORCOSSE HOLDINGS LIMITED**

**BALANCE SHEET**  
As at 31 December 2003

		31 December 2003		31 December 2002	
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	9		2,932		-
Investments	10		154,251		1
			<u>157,183</u>		<u>1</u>
<b>CURRENT ASSETS</b>					
Debtors	11	5,285		-	
<b>CREDITORS:</b> amounts falling due within one year	12	(1,145,108)		-	
<b>NET CURRENT LIABILITIES</b>			<u>(1,139,823)</u>		<u>-</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>£ (982,640)</u>		<u>£ 1</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		154,250		1
Profit and loss account			(1,136,890)		-
<b>SHAREHOLDERS' FUNDS - All Equity</b>	14		<u>£ (982,640)</u>		<u>£ 1</u>

The financial statements were approved by the board on 23 FEBRUARY 2005 and signed on its behalf.



**M Scott**  
Director

The notes on pages 8 to 17 form part of these financial statements.

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**NORCOSSE HOLDINGS LIMITED**

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**CASH FLOW STATEMENT**  
**For the year ended 31 December 2003**

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	<b>Note</b>	<b>Year ended 31 December 2003 £</b>	<b>Period ended 31 December 2002 £</b>
Net cash flow from operating activities	15	8,113	-
Returns on investments and servicing of finance	16	(3,715)	-
Capital expenditure and financial investment	16	(4,398)	-
Acquisitions and disposals	16	-	(1)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>-</b>	<b>(1)</b>
Financing	16	-	1

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Major non-cash transactions are disclosed in note 18.

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 17)**  
**For the year ended 31 December 2003**

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	<b>Year ended 31 December 2003 £</b>	<b>Period ended 31 December 2002 £</b>
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>-</b>	<b>-</b>
Net funds at 1 January 2003	-	-

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The notes on pages 8 to 17 form part of these financial statements.

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## NORCOSSE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2003

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

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

These financial statements have been prepared on a going concern basis. There is material uncertainty related to the future funding of the company which may cast significant doubt on the company's ability to continue as a going concern.

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%
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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 and earnings of overseas subsidiaries that are not intended to be remitted to the UK. 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.

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**NORCOSSE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**3. OPERATING LOSS**

The operating loss is stated after charging:

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Depreciation of tangible fixed assets:		
- owned by the company	1,466	-
Auditors' remuneration	1,500	-
Difference on foreign exchange	708	-
	<u>          </u>	<u>          </u>

**4. STAFF COSTS**

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

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Wages and salaries	95,463	-
Social security costs	10,687	-
Other pension costs	7,038	-
	<u>          </u>	<u>          </u>
	£ 113,188	£ -
	<u>          </u>	<u>          </u>

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

	Year ended 31 December 2003	Period ended 31 December 2002
Staff	2	-
	<u>          </u>	<u>          </u>

**5. DIRECTORS' REMUNERATION**

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Emoluments - one director	£ 41,667	£ -
	<u>          </u>	<u>          </u>

**NORCOSSE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

**6. INTEREST PAYABLE**

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
On overdue payables	£ 3,715	£ -

**7. EXCEPTIONAL ITEMS**

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Provision for irrecoverable loans to subsidiaries	£ 491,894	£ -

**8. TAXATION**

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
<b>Analysis of tax in year</b>		
Tax on profit on ordinary activities	£ -	£ -

**Factors affecting tax charge for year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Loss on ordinary activities before tax	(1,136,890)	-
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2002 - 30%)	(341,067)	-
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,274	-
Surrendered as group relief	192,225	-
Exceptional items	147,568	-
<b>Current tax charge for year (see note above)</b>	£ -	£ -

There were no factors that may affect future tax charges.

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NORCOSSE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2003

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9. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £
<b>Cost</b>	
Additions	4,398
At 31 December 2003	<u>4,398</u>
<b>Depreciation</b>	
Charge for the year	1,466
At 31 December 2003	<u>1,466</u>
<b>Net book value</b>	
At 31 December 2003	£ 2,932
At 31 December 2002	£ -

10. FIXED ASSET INVESTMENTS

	Shares in group under- takings £
<b>Cost</b>	
At 1 January 2003	1
Additions	154,250
At 31 December 2003	£ <u>154,251</u>

# NORCOSSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2003

### Subsidiary undertakings

The following were 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 2003 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	(662,991)	(153,453)
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.

As part of the reorganisation of the Norcosse Group, Norcosse Holdings Ltd acquired the entire share capital of Norcosse Services Ltd in January 2003 with the issue of shares with a nominal value of £154,250. See note 13 for further details.

### 11. DEBTORS

	2003 £	2002 £
<b>Due within one year</b>		
Other debtors	£ 5,285	£ -
	<u>          </u>	<u>          </u>

Included within other debtors due within one year is a loan to L Quinn, a director, amounting to £5,285 (2002 - £nil). The maximum amount outstanding during the year was £5,285.

### 12. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	45,520	-
Amounts owed to group undertakings	1,007,477	-
Social security and other taxes	9,905	-
Other creditors	66,320	-
Accruals and deferred income	15,886	-
	<u>          </u>	<u>          </u>
	£ 1,145,108	£ -
	<u>          </u>	<u>          </u>

**NORCOSSE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

**13. SHARE CAPITAL**

	2003 £	2002 £
<b>Authorised, allotted, called up and fully paid</b>		
1,130,000 A Ordinary shares of 10p each	113,000	-
825,000 B Ordinary shares of 5p each	41,250	-
- Ordinary shares of £1 each	-	1
	<u>£ 154,250</u>	<u>£ 1</u>

As part of the reorganisation during the year, the company issued new shares to the shareholders of Norcosse Services Ltd in exchange for their shares in Norcosse Services Ltd.

The company's share capital is divided into "A" and "B" shares. The shares rank pari passu except that the articles provide that the "B" shares have certain rights to dividends and the entitlement to distributions in the event of a winding up that are limited to the results and assets of the CDE Solutions division of the group.

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
(Loss)/profit for the year	(1,136,890)	-
Shares issued during the year	154,249	1
	<u>(982,641)</u>	<u>1</u>
Opening shareholders' funds	1	-
Closing shareholders' funds	<u>£ (982,640)</u>	<u>£ 1</u>

**15. NET CASH FLOW FROM OPERATING ACTIVITIES**

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Operating loss before exceptional items	(641,281)	-
Exceptional items	(491,894)	-
Depreciation of tangible fixed assets	1,466	-
Increase in debtors	(5,285)	-
Increase in creditors	137,630	-
Increase in amounts owed to group undertakings	1,007,477	-
<b>NET CASH INFLOW FROM OPERATIONS</b>	<u>£ 8,113</u>	<u>£ -</u>



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**NORCOSSE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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

	<b>Year ended 31 December 2003 £</b>	<b>Period ended 31 December 2002 £</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest paid	<b>£ (3,715)</b>	<b>£ -</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	<b>£ (4,398)</b>	<b>£ -</b>
<b>ACQUISITIONS AND DISPOSALS</b>		
Purchase of fixed asset investments	<b>£ -</b>	<b>£ (1)</b>
<b>FINANCING</b>		
Issue of ordinary shares	<b>£ -</b>	<b>£ 1</b>

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**NORCOSSE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**17. ANALYSIS OF CHANGES IN NET DEBT**

	<b>1 January 2003 £</b>	<b>Cash flow £</b>	<b>Other non-cash changes £</b>	<b>31 December 2003 £</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET FUNDS</b>	<b>£       -</b>	<b>£       -</b>	<b>£       -</b>	<b>£       -</b>

**18. MAJOR NON-CASH TRANSACTIONS**

The only consideration for the purchase of subsidiary undertakings comprised shares in the company issued to the shareholders of Norcosse Services Ltd as referred to in note 10 and the amounts are therefore not included in the cash flow statement.

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## NORCOSSE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2003

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#### 19. PENSION COMMITMENTS

##### **Scheme outline**

A pension scheme has been established for the company and members of the Norcosse Holdings Limited Group which is, in part, a defined contributions scheme and partly a defined benefits scheme.

The Norwegian subsidiary operates an independent pension fund for its employees.

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 pension cost charged to the profit and loss account represents the contributions payable by the company to the fund in the period.

The other part of the pension scheme provides benefits based on final pensionable pay. Again, the assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of the pensions over the employee's working lives with the company. As a general policy, the contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, however the has been affected by the factors referred to below.

##### **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.

Since this time no actuarial valuation has been undertaken and no schedule of contributions, setting the out the level of contributions payable by the principal employer, has been prepared. In addition, contributions paid to the scheme have been lower than the amounts recommended by the scheme's original actuary.

Two subsidiaries gave notice of their withdrawal from the scheme. One gave notice taking effect from 31st October 2003, while the other gave notice of its withdrawal with effect from 31st December 2003.

The directors have not been in a position to assess the financial impact of the factors referred to above and whether, and to what extent, further contribution liabilities exist. While uncertainty exists regarding the level of contribution liabilities the directors are unable to provide for any additional amounts in the accounts and the following information is based upon the original level of contributions payable as agreed between the trustee and the principal employer with the advice of the scheme actuary as referred to above.

##### **Pension contributions**

In regard to the defined contribution element of the scheme the amount payable by the company to the scheme and charged to the profit and loss account in the year amounted to £1,129 (2002 - nil). At the balance sheet date contributions totalling £1,113 had not been paid and are included in creditors (2002 - nil).

So far as the defined benefits contributions are concerned the charge for the year was £5,909 (2002 - nil) for the company. Company contributions totalling £7,737 (2002 - nil) were payable to the scheme at the balance sheet date and are included in creditors.

Total amounts outstanding to the pension scheme by the Norcosse Holdings Limited Group at the balance sheet date (based on the contribution levels outlined above) amounted to £117,959 (2002 £168,160).

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**NORCOSSE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**20. RELATED PARTY TRANSACTIONS**

During the year, the following related party transactions took place:

Sales of £22,000 were made to a group company, Norcosse Bell Ltd, and to a former group company, CDE Solutions Ltd during the year.

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

An amount of £555,680 was owed to Terra Energy Services Ltd, a subsidiary.

An amount of £519,684 was owed to Norcosse Group AS, a foreign subsidiary.

**21. CONTROLLING PARTY**

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