



KONGSBERG SIMRAD LIMITED

Report and Financial Statements

31 December 1997

Deloitte & Touche
Chartered Accountants
66 Queen's Road
Aberdeen
AB15 4YE



REPORT AND FINANCIAL STATEMENTS 1997

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D E Ireland
S A Aablevik
S Gregersen

SECRETARY

Ledingham Chalmers
1 Golden Square
Aberdeen

REGISTERED OFFICE

Campus 1
Science & Technology Park
Balgownie Road
Bridge of Don
Aberdeen

BANKERS

Den Norske Bank A/S
London Branch
20 St Dunstons Hill
London

SOLICITORS

Ledingham Chalmers
1 Golden Square
Aberdeen

AUDITORS

Deloitte & Touche
Chartered Accountants
66 Queen's Road
Aberdeen

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principle activities of Kongsberg Simrad Limited are the design, manufacturing and worldwide sale of underwater cameras and systems for the offshore and ocean science industries. The company also sells and provides service within the UK of marine electronics systems manufactured by the company parent in Norway. Kongsberg Simrad Leasing Limited, a subsidiary of Kongsberg Simrad Limited, undertakes rental service for the equipment manufactured by both Kongsberg Simrad Limited and its parent company.

CHANGE OF NAME

On 1 January 1997 the company changed its name from Simrad Limited to Kongsberg Simrad Limited.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has successfully expanded its range of activities within the current financial year and as a result achieved significant growth. With revenues exceeding £12.7m the company has a sustainable trading position from which to build. Shortcomings within the company's financial reporting systems has resulted in exceptional charges to the profit and loss within the year. This has resulted in a prior year adjustment of £780,851 arising from the understatement of costs and overstatement of turnover (see note 18).

The investment in Simrad Limited was transferred to Kongsberg Maritime Limited on 1 January 1997.

Prospects for 1998 are excellent with further increases in sales revenues being projected together with a return to full profitability.

DIVIDENDS, RESULTS AND TRANSFERS TO RESERVES

No dividend is proposed and the profit after taxation of £28,711 (1996 restated: loss £1,126,196) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1. The directors who served during the year were:

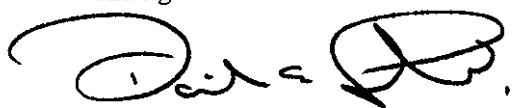
D E Ireland	
S A Aablevik	(appointed 1 January 1997)
S Gregersen	(appointed 1 January 1997)
B T Frøshaug	(resigned 1 January 1997)
O G Bogen	(resigned 1 January 1997)
D J Stewart	(resigned 30 May 1997)

The directors had no disclosable interests in the share capital of the company or any UK group company at 31 December 1997 and 1 January 1997.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

11/8/98



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;
- 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. 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' REPORT TO THE MEMBERS OF KONGSBERG SIMRAD LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

7 September '98

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 £	1996 As Restated £
TURNOVER - continuing operations	2	12,760,197	15,622,386
Cost of sales		(9,087,940)	(11,826,058)
GROSS PROFIT		<u>3,672,257</u>	<u>3,796,328</u>
Net operating expenses	3	(3,591,777)	(4,900,392)
OPERATING PROFIT/(LOSS) - continuing operations	4	80,480	(1,104,064)
Investment income	6	36,513	41,727
Gain on disposal of investments		-	163,979
Interest payable and similar charges	7	(112,796)	(241,944)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,197	(1,140,302)
Tax credit on profit/(loss) on ordinary activities	8	<u>24,514</u>	<u>14,106</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND LOSS FOR THE FINANCIAL YEAR, TRANSFERRED FROM RESERVES		<u>28,711</u>	<u>(1,126,196)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		1997 £	1996 As Restated £
Profit/(Loss) for the financial year		<u>28,711</u>	<u>(1,126,196)</u>
Total recognised gains and losses relating to the year		28,711	<u>(1,126,196)</u>
Prior period adjustment	18	<u>(780,851)</u>	
Total gains and losses recognised since last annual report		<u>(752,140)</u>	


BALANCE SHEET
As at 31 December 1997

	Note	1997	1996 As Restated
		£	£
FIXED ASSETS			
Intangible assets	9	-	53,049
Tangible assets	10	1,720,225	3,004,095
Investments	11	593	847,349
		<u>1,720,818</u>	<u>3,904,493</u>
CURRENT ASSETS			
Stocks	12	2,100,343	3,982,788
Debtors	13	5,713,632	4,575,191
Cash at bank and in hand		11,765	9,421
		<u>7,825,740</u>	<u>8,567,400</u>
CREDITORS: amounts falling due within one year			
Bank overdrafts	16	16,608	426,574
Bank loans	16	-	45,000
Trade creditors		456,144	583,309
Amounts owed to group undertakings - parent company and fellow subsidiary undertakings		6,772,538	8,333,880
subsidiary undertaking		946	729,260
Other creditors including taxation and social security	14	211,254	118,861
Accruals and deferred income		235,756	50,408
		<u>7,693,246</u>	<u>10,287,292</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>132,494</u>	<u>(1,719,892)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,853,312</u>	<u>2,184,601</u>
CREDITORS: amounts falling due after more than one year			
	15	-	1,499,969
		<u>1,853,312</u>	<u>684,632</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,772,681	1,632,712
Profit and loss account	18	(919,369)	(948,080)
Attributable to equity shareholders	20	<u>1,853,312</u>	<u>684,632</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director

11/8/98

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cashflow

A cashflow statement is not presented as the company has taken advantage of paragraph 5 (a) of FRS1 (revised).

Consolidation

As permitted by S.228 of the Companies Act 1985 group accounts for the company and its subsidiaries are not presented. The company and its subsidiaries are included in the consolidated financial statements of Kongsberg Maritime Limited, a company registered in England.

Intangible Fixed Assets

Goodwill is amortised over a period of twenty years.

Tangible Fixed Assets

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Tenant's improvements	4% per annum
Motor vehicles	25% per annum
Plant and machinery	10% - 33% per annum

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on 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.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

These translation differences are dealt with in the profit and loss account.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES (CONTINUED)

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Research and Development

Research and development expenditure is written off as incurred.

Pension Costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover represents the sale of goods and services invoiced excluding value added tax.

	1997 £	1996 As restated £
Geographical analysis of turnover:		
United Kingdom	8,882,437	12,541,060
Rest of world	3,877,760	3,081,326
	<u>12,760,197</u>	<u>15,622,386</u>

3. NET OPERATING EXPENSES

	1997 £	1996 As restated £
Net operating expenses:		
Administrative expenses	2,924,408	3,738,306
Distribution costs	667,369	1,162,086
	<u>3,591,777</u>	<u>4,900,392</u>

4. OPERATING PROFIT/(LOSS) - CONTINUING OPERATIONS

	1997 £	1996 As restated £
Operating profit/(loss) is stated after charging/(crediting):		
Hire of equipment	5,295	11,449
Rentals under operating leases:		
Land and buildings	263,000	250,000
Other	91,916	107,210
Depreciation of tangible fixed assets	372,544	461,150
Amortisation of intangible fixed assets	-	2,792
Auditors' remuneration	32,000	14,000
	<u></u>	<u></u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Director's emoluments		
Directors' emoluments	148,265	132,440
Pension contributions	15,431	15,700
	<u>163,696</u>	<u>148,140</u>
	No	No
Number of directors who were members of a defined contribution scheme during the year	<u>2</u>	<u>2</u>
	No	No
Employees		
Average number of persons employed by the company in the year:		
Management	10	12
Administration	31	57
Technical	81	100
	<u>122</u>	<u>169</u>
	1997 £	1996 £
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	2,319,191	3,088,326
Social security costs	226,021	380,938
Other pension costs	97,879	124,639
	<u>2,643,091</u>	<u>3,593,903</u>

6. INVESTMENT INCOME

	£	£
Income from interests in associated companies	-	9,000
Other interest receivable and similar income	36,513	32,727
	<u>36,513</u>	<u>41,727</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank overdraft and loans wholly repayable within five years	26,253	59,490
Other loans	11,419	2,533
Interest payable to group companies	75,124	148,266
Bank loans not wholly repayable within 5 years	-	31,655
	<u>112,796</u>	<u>241,944</u>

8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	£	£
Current year:		
United Kingdom corporation tax based on loss for the year at 31% (1996: 33%)	-	-
Group relief	-	(14,106)
Deferred taxation at 31% (1996: 33%) (Note 17)	-	-
	<u>-</u>	<u>(14,106)</u>
Prior year:		
Overpayment of prior years corporation tax	(24,514)	-
Deferred taxation (Note 17)	-	-
	<u>(24,514)</u>	<u>(14,106)</u>

The tax credit is disproportionate to pre tax loss principally due to carry forward of tax losses and the non-recognition of a deferred tax asset. The prior year credit relates to a repayment of corporation tax.

9. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 January 1997	64,723
Transfer to fellow subsidiary	<u>(64,723)</u>
At 31 December 1997	<u>-</u>
Amortisation	
At 1 January 1997	11,674
Transfer to fellow subsidiary	<u>(11,674)</u>
At 31 December 1997	<u>-</u>
Net Book Value	
At 31 December 1997	<u>-</u>
At 31 December 1996	<u>53,049</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
10. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Tenant's Improve- ments £	Motor Vehicles £	Plant and Equipment £	Total £
Cost					
As at 1 January 1997	1,006,013	71,151	107,987	4,607,213	5,792,364
Reclassification	-	8,174	-	(336,998)	(328,824)
Additions	8,566	-	8,389	474,579	491,534
Disposals	(67,348)	-	(23,981)	(575,936)	(667,265)
Transfers to group company	(947,231)	(8,174)	(35,770)	(367,340)	(1,358,515)
As at 31 December 1997	-	71,151	56,625	3,801,518	3,929,294
Accumulated Depreciation					
As at 1 January 1997	191,764	18,066	34,232	2,544,207	2,788,269
Reclassification	-	665	-	(329,489)	(328,824)
Charge for year	33,825	2,851	13,937	321,931	372,544
Disposals	(55,701)	-	(12,309)	(320,950)	(388,960)
Transfers to group company	(169,888)	(669)	(11,842)	(51,561)	(233,960)
As at 31 December 1997	-	20,913	24,018	2,164,138	2,209,069
Net Book Value					
As at 31 December 1997	-	50,238	32,607	1,637,380	1,720,225
As at 31 December 1996	814,249	53,085	73,755	2,063,006	3,004,095

11. INVESTMENTS HELD AS FIXED ASSETS

	Associated Under- takings £	Shares in Subsidiary Under- takings £	Other Invest- ments £	Total £
Cost and net book value				
At 1 January 1997	31,674	815,182	493	847,349
Disposals	(31,674)	(815,082)	-	(846,756)
At 31 December 1997	-	100	493	593

Subsidiary Undertakings	Country of incorporation, registration and operation	Activity	Proportion of ordinary shares held %
Kongsberg Simrad Leasing Limited	Scotland	Equipment leasing and rental	100

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

12. STOCKS

	1997 £	1996 £
Raw materials	499,398	2,122,145
Work in progress	619,735	967,819
Finished goods	981,210	892,824
	<u>2,100,343</u>	<u>3,982,788</u>

13. DEBTORS

	£	£
Trade debtors	3,629,257	3,471,974
Amounts owed by group undertakings - parent and fellow subsidiary undertakings	1,348,760	466,515
subsidiary undertakings	637,522	457,738
associated undertaking	-	60,733
Other debtors	39,378	48,596
Prepayments and accrued income	58,715	69,635
	<u>5,713,632</u>	<u>4,575,191</u>

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	£	£
This heading includes:		
Taxation and social security	<u>160,538</u>	<u>79,913</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£	£
Bank loan	-	360,000
Amounts owed to group undertakings - parent and ultimate parent	<u>-</u>	<u>1,139,969</u>
	<u>-</u>	<u>1,499,969</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

16. BORROWINGS

	1997 £	1996 £
Analysis of borrowings		
Bank overdraft	16,608	426,574
Bank loan	-	405,000
Amounts owed to group undertakings		
Parent	-	1,139,969
Ultimate parent	-	800,000
	<u>16,608</u>	<u>2,771,543</u>
Due within one year	16,608	1,271,574
Due after more than one year	-	1,499,969
	<u>16,608</u>	<u>2,771,543</u>
Analysis of total loan repayments		
Within one year or on demand	16,608	1,271,574
Between one year and two years	-	45,000
Between two and five years	-	135,000
Due after more than five years	-	180,000
No fixed terms of repayment	-	1,139,969
	<u>16,608</u>	<u>2,771,543</u>

The Kongsberg Maritime Limited group has entered into an arrangement with the group's bankers whereby cross-guarantees have been granted to enable balances in credit to be offset against overdrawn balances. Any resulting overdraft is secured by a floating charge over the whole of the group's assets. The company's liability at 31 December 1997 under this arrangement amounted to £16,608 (1996: £426,574).

There were no fixed terms of repayment for the amounts payable to parent and ultimate parent. The amount outstanding to the parent company was interest free. The amount outstanding to the ultimate parent company bore interest at 8% per annum.

17. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided and unprovided in the accounts at 33% are:

	Provided 1997 £	1996 £	Unprovided 1997 £	1996 £
Capital allowances in excess of depreciation	198,632	191,088	100,000	100,000
Other timing differences	(135,550)	(93,980)	-	-
Losses	(63,082)	(97,108)	(100,000)	(100,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

18. PROFIT AND LOSS ACCOUNT

	1997 £
At beginning of year	(167,229)
Prior period adjustment	(780,851)
At beginning of year as restated	(948,080)
Profit for the financial year	<u>28,711</u>
	<u>(919,369)</u>

The prior period adjustment arises from shortcomings within the financial reporting systems in respect of the year ended 31 December 1996. This resulted in the overstatement of turnover of £134,900 and the understatement of cost and sales and operating expenses by £497,648 and £148,303 respectively.

19. CALLED UP SHARE CAPITAL

	Authorised 1997 No	Allotted and fully paid 1997 £	Authorised 1996 No	Allotted and fully paid 1996 £
Ordinary shares of £1 each	<u>2,772,681</u>	<u>2,772,681</u>	<u>1,661,848</u>	<u>1,632,712</u>

The increase in share capital arose from the conversion of a loan from Kongsberg Maritime Limited of £1,139,969 to share capital.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 As Restated £
Profit/(Loss) for the financial year	28,711	(1,126,196)
New share capital subscribed	<u>1,139,969</u>	<u>-</u>
Net addition to shareholders' funds	1,168,680	(1,126,196)
Opening shareholders' funds (originally £1,465,483 before deducting prior period adjustment of £780,851)	<u>684,632</u>	<u>1,810,828</u>
Closing shareholders' funds	<u><u>1,853,312</u></u>	<u><u>684,632</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

21. OPERATING LEASE COMMITMENTS

At 31 December 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings £	Other £
Leases which expire:		
Within one year	21,500	2,258
Within 2 to 5 years	-	69,014
More than 5 years	220,000	-
	<u>241,500</u>	<u>71,272</u>

22. ULTIMATE PARENT COMPANY

The smallest group which prepares consolidated financial statements (including those of the company) in the UK is Kongsberg Maritime Limited. Copies of these financial statements can be obtained from Kongsberg Maritime Limited, Woolmer Way, Bordon, Hampshire.

At 31 December 1997 the ultimate parent company is Kongsberg Group ASA, a company registered in Norway. The financial statements of the parent company can be obtained from Kongsberg Group ASA, PO Boks 1003, N-3601 Kongsberg, Norway. The company has taken advantage of paragraph 3 (c) of FRS 8 (Related Party Disclosures) and does not disclose transactions with fellow group companies.