

Kongsberg Simrad Limited

Annual report and financial statements
for the year ended 31 December 1998

Registered number: 107343



Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 1998

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Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D E Ireland
S A Aabelvik
S Gregersen (resigned 4 March 1998)
T Sorenson (appointed 12 January 1999)

SECRETARY

Ledingham Chalmers
1 Golden Square
Aberdeen

REGISTERED OFFICE

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

BANKERS

Den norske Bank ASA
20 St Dunstons Hill
London

Clydesdale Bank plc
30 Bridge Street
Wick

Barclays Bank plc
Lancaster Market Street
Liverpool

SOLICITORS

Ledingham Chalmers
1 Golden Square
Aberdeen

AUDITORS

Arthur Andersen
Chartered Accountants
191 West George Street
Glasgow

Kongsberg Simrad Limited

Directors' report for the year ended 31 December 1998

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activities of the company 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 electronic systems manufactured by the parent company in Norway.

Business review

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

The company's commitment to growth and increased profitability continues. In April the business and assets of the technology company Systems Engineering Limited were acquired, thereby further improving the company's competence in the area of data communications and telemetry. The Offshore Division took on responsibility for delivering vessel systems on behalf of the parent company, prior to this activity had been limited to that of Sales and Service. Both new activities contributed to the company's improved performance.

Post balance sheet events

On 1 January 1999 the trade and assets of Kongsberg Simrad Leasing Limited, a subsidiary undertaking, were transferred to the company at net book value.

Results and dividends

The profit after taxation of £ 517,191 (1997: £ 28,711) has been transferred to reserves.

The directors do not recommend the payment of a dividend (1997: £ nil).

Directors

The directors of the company at 31 December 1998, all of whom have been directors for the whole of the year ended on that date, are listed below:

D E Ireland
S A Aabelvik

The directors had no disclosable interests in the share capital of the company, or any other UK group company at 31 December 1998, or date of appointment.

Kongsberg Simrad Limited

Directors' report (continued) for the year ended 31 December 1998

Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in addressing the risks to our business resulting from the date change to the Year 2000.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost to the company of modifications to our computer hardware and software is estimated at £382,000 which will be capitalised/expensed as appropriate as incurred. Of this, £202,000 has been incurred during the year and the remaining £180,000 is to be arranged.

Charitable Donations

The donations made by the company during the year for charitable purposes were £1,202.

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 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 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.

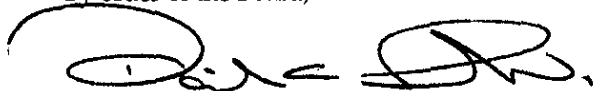
Kongsberg Simrad Limited

Directors' report (continued) for the year ended 31 December 1998

Auditors

A resolution to reappoint the auditors, Arthur Andersen, will be proposed at the annual general meeting.

By order of the Board,

A handwritten signature in black ink, appearing to read 'David Ireland', is written over a horizontal line.

Name:

Director:

Date:

David Ireland

1 October 1999

Kongsberg Simrad Limited

Auditors' report

To the shareholders of Kongsberg Simrad Limited

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

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

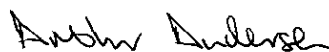
Basis of opinion

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
191 West George Street
Glasgow
G2 2LB

1 October 1999

Kongsberg Simrad Limited

Profit and loss account for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	2	16,245,314	12,760,197
Cost of sales		(11,421,276)	(9,087,940)
Gross profit		4,824,038	3,672,257
Net operating expenses (including exceptional net operating expenses of £ 398,218; 1997 - £ nil)	3 & 4	(4,198,931)	(3,591,777)
Operating Profit		625,107	80,480
Investment income	7	126,278	36,513
Interest payable and similar charges	8	(1,834)	(112,796)
Profit on ordinary activities before taxation	9	749,551	4,197
Tax on profit on ordinary activities	10	(232,360)	24,514
Profit for the financial year	18	517,191	28,711

The company has no recognised gains and losses in either period other than the profits above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the retained profit for either year stated above, and their historical cost equivalents.

The results of acquired business during the year are not material. The operating results for the year for all other operations were wholly derived from continuing activities.

Kongsberg Simrad Limited

Balance Sheet as at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	11	1,690,032	1,720,225
Investments	12	593	593
		<u>1,690,625</u>	<u>1,720,818</u>
Current assets			
Stocks	13	3,222,422	2,100,343
Debtors	14	5,657,315	5,713,632
Cash at bank and in hand		1,498,461	11,765
		<u>10,378,198</u>	<u>7,825,740</u>
Creditors: Amounts falling due within one year	15	<u>(9,559,657)</u>	<u>(7,693,246)</u>
Net current assets		<u>818,541</u>	<u>132,494</u>
Total assets less current liabilities		<u>2,509,166</u>	<u>1,853,312</u>
Provision for liabilities and charges	16	<u>(138,663)</u>	<u>-</u>
Net assets		<u>2,370,503</u>	<u>1,853,312</u>
Capital and reserves			
Called-up share capital	17	2,772,681	2,772,681
Profit and loss account	18	(402,178)	(919,369)
Equity Shareholders' funds	19	<u>2,370,503</u>	<u>1,853,312</u>

The financial statements on pages 6 to 17 were approved by the board of directors on and were signed on its behalf by:

1 October 1999.



David Ireland

Director

1 October 1999

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently throughout the current and preceding year, is set out below.

Basis of accounting

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

Basis of consolidation

As permitted by S.228 of the Companies Act 1985 group financial statements for the company and its subsidiary are not presented. The company and its subsidiary are included in the consolidated financial statements of Kongsberg Gruppen ASA, a company registered in Norway.

Cash flow statement

The company has taken advantage of the exemption granted in FRS1 (revised) not to prepare a cash flow statement, as it is a wholly owned subsidiary of Kongsberg Gruppen ASA, whose financial statements include a cash flow statement and are publicly available.

Tangible fixed assets

The costs of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over the expected useful life, of the assets concerned. The principal annual rates used for this purpose are:

Property	4 – 5%
Tenant's improvements	4%
Plant and equipment	10 - 33%
Motor vehicles	25%

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

Goodwill

Goodwill arising on subsidiaries acquired prior to 1 January 1998 is written off immediately against reserves. Other purchased goodwill is eliminated by amortisation through the profit and loss account over its useful economic life.

As required by Financial Reporting Standard No. 10 all purchased goodwill will now be capitalised and amortised to the profit and loss account.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct materials, direct labour and appropriate production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

Foreign currencies

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.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Research and Development

Research and development expenditure is written off as incurred.

Government Grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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 amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

	1998 £	1997 £
Geographical analysis of turnover:		
- United Kingdom	12,147,263	8,882,437
- Rest of the world	4,098,051	3,877,760
	<u>16,245,314</u>	<u>12,760,197</u>

3 NET OPERATING EXPENSES

	1998 £	1997 £
Net Operating Expenses:		
- Administration expenses	3,033,175	2,924,408
- Distribution expenses	767,538	667,369
	<u>3,800,713</u>	<u>3,591,777</u>

4 EXCEPTIONAL NET OPERATING EXPENSES

The exceptional change relates to the loss incurred by the company on scrapping certain computer equipment during the year.

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

5 DIRECTORS' EMOLUMENTS

	1998	1997
	£	£
Aggregate emoluments	80,696	148,265
Company pension contributions to defined contribution schemes	7,064	15,431
	<u>87,760</u>	<u>163,696</u>

As total directors' emoluments are less than £ 200,000, no details are provided in respect of the highest paid. Two of the directors who served during the year are remunerated by other group companies.

6 EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1998	1997
By activity:		
- Management	10	10
- Administration	31	31
- Technical	99	81
	<u>140</u>	<u>122</u>

	1998	1997
	£	£
Staff costs (for the above persons):		
- Wages and salaries	2,941,688	2,319,191
- Social Security costs	283,934	226,021
- Pension costs	119,008	97,879
	<u>3,344,630</u>	<u>2,643,091</u>

7 INVESTMENT INCOME

	1998	1997
	£	£
Interest receivable and similar income	<u>126,278</u>	<u>36,513</u>

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

8 INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£	£
On bank loans and overdrafts	-	26,253
On other loans	-	11,419
Interest payable to group companies	1,834	75,124
	<u>1,834</u>	<u>112,796</u>

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
Profit on ordinary activities is stated after charging (crediting):		
Hire of equipment	5,016	5,295
Rentals under operating leases:		
Land and buildings	263,000	263,000
Other	62,536	91,916
Depreciation of tangible fixed assets	558,520	372,544
Goodwill amortisation	23,452	-
Auditors' remuneration	17,000	32,000
Loss on disposal of tangible fixed assets	38,744	50,625

Auditors' remuneration in respect of non-audit services amounted to £ 23,135 (1997: £ 12,000).

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£	£
United Kingdom corporation tax at 31%:		
Current	93,697	-
Deferred	138,663	-
Overpayment of prior year's corporation tax	-	(24,514)
	<u>232,360</u>	<u>(24,514)</u>

The 1997 tax credit is disproportionate to the profit on ordinary activities before taxation due to carry forward of tax losses and the non-recognition of a deferred tax asset.

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

11 TANGIBLE FIXED ASSETS

	Property £	Tenant's Improvements £	Motor vehicles £	Plant and Equipment £	Total £
Cost					
At 1 January 1998	-	71,151	56,625	3,801,518	3,929,294
Additions	182,615	41,097	9,495	716,933	950,140
Disposals	-	-	(2,998)	(1,230,359)	(1,233,357)
At 31 December 1998	182,615	112,248	63,122	3,288,092	3,646,077
Depreciation					
At 1 January 1998	-	20,913	24,018	2,164,138	2,209,069
Charge for the year	1,218	4,135	13,605	539,562	558,520
Disposals	-	-	(2,998)	(808,546)	(811,544)
At 31 December 1998	1,218	25,048	34,625	1,895,154	1,956,045
Net book value					
At 31 December 1998	181,397	87,200	28,497	1,392,938	1,690,032
At 31 December 1997	-	50,238	32,607	1,637,380	1,720,225

12 INVESTMENT HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £	Other investments £	Total £
Cost and net book value			
At 31 December 1997 and 1998	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

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

13 STOCKS

	1998	1997
	£	£
Raw materials	766,801	499,398
Work in progress	699,713	619,735
Finished goods	1,755,908	981,210
	<u>3,222,422</u>	<u>2,100,343</u>

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 70,150 (1997: £ nil).

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 DEBTORS

	1998	1997
	£	£
Trade debtors	4,456,968	3,629,257
Amounts owed by group undertakings	1,046,738	1,986,282
Other debtors	62,187	39,378
Prepayments and accrued income	91,422	58,715
	<u>5,657,315</u>	<u>5,713,632</u>

All debtors fall due within one year.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£	£
Bank overdraft	-	16,608
Trade creditors	660,155	456,144
Amounts owed to group undertakings	6,925,329	6,773,484
Corporation tax	93,697	-
Other taxation and social security	290,299	211,254
Accruals and deferred income	1,590,177	235,756
	<u>9,559,657</u>	<u>7,693,246</u>

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Provided		Unprovided	
	1998	1997	1998	1997
	£	£	£	£
Capital allowances in excess of depreciation	122,013	191,088	-	100,000
Other timing differences	16,650	(93,980)	-	-
Losses	-	(97,108)	-	(100,000)
	<u>138,663</u>	<u>-</u>	<u>-</u>	<u>-</u>

17 CALLED-UP SHARE CAPITAL

	1998	1997
	£	£
Authorised		
2,772,681 ordinary shares of £ 1 each	<u>2,772,681</u>	<u>2,772,681</u>
Allotted, called-up and fully-paid		
2,772,681 ordinary shares of £ 1 each	<u>2,772,681</u>	<u>2,772,681</u>

18 RESERVES

	Profit and Loss £
At 1 January 1998	(919,369)
Retained profit for the year	517,191
At 31 December 1998	<u>(402,178)</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Opening shareholders' funds	1,853,312	684,632
Profit for the financial year	517,191	28,711
New share capital subscribed	-	1,139,969
Closing shareholders' funds	<u>2,370,503</u>	<u>1,853,312</u>

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

20 CONTINGENT LIABILITY

The company has entered into a number of trade guarantees approximating £ 20,000 to £ 75,000, all of which are in the normal course of business.

In addition HM Customs and Excise also hold a deferred duty bond with a value of £ 100,000.

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 balance is secured by a floating charge over the whole of the group's assets. The company's contingent liability at 31 December 1998 under this arrangement amounted to £nil (1997: £16,607).

21 CAPITAL COMMITMENTS

	1998 £	1997 £
Capital expenditure contracted for but not provided in the financial statements	3,807	-

22 OPERATING LEASE COMMITMENTS

	Land and Buildings £	Other £
At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:		
Expiring within one year	-	2,210
Expiring within 2 to 5 years	-	37,025
Expiring in more than 5 years	220,000	-
	<u>220,000</u>	<u>39,235</u>

23 POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the Directors' report on page 2.

24 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No. 8, not to disclose details of transactions and balances with group companies on the basis that it is a 100% owned subsidiary whose voting rights are controlled within the group.

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 1998

25 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The smallest group which prepares consolidated financial statements (including those of the company) is Kongsberg Gruppen ASA. Copies of these financial statements can be obtained from Kongsberg Gruppen ASA.

The company's ultimate parent company and ultimate controlling party is Kongsberg Gruppen ASA, a company registered in Norway. The financial statements of the parent undertaking can be obtained from Kongsberg Gruppen ASA, PO Boks 1003, N-3601 Kongsberg, Norway.

26 PRIOR YEAR COMPARATIVES

The 1997 figures are shown for comparative purposes only and were audited by a firm of accountants other than Arthur Andersen.