

Kongsberg Simrad Limited

Annual report and financial statements
for the year ended 31 December 2000

Registered number: 107343

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Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2000

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Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D E Ireland (resigned 23rd August 2000)
S Aabelvik
T Sorenson
O G Bogen (appointed 23rd August 2000)

SECRETARY

Ledingham Chalmers (resigned 1st February 2001)
1 Golden Square
Aberdeen

A Ferrie (appointed 1st February 2001)
Campus 1
Science & Technology Park
Balgownie Road
Bridge of Don
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

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 2000

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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

During 2000, the directors implemented a restructuring of the company in line with changing offshore market conditions. The year end position was in line with expectations after the restructuring exercise. The directors expect to see a steady improvement in business levels throughout 2001, and a return to more buoyant business levels in 2002.

Changes in the Group structure have resulted in a consolidation of the company's harsh-environment camera system business. Market conditions for the sales and service support of parent company marine systems and products remain strong.

Results and dividends

The loss after taxation of £ 677,107 (1999: profit of £ 394,420) has been transferred to reserves. The directors do not recommend the payment of a dividend (1999: £ nil).

Directors

The directors of the company at 31 December 2000, who served during the year, are listed below:

D E Ireland (resigned 23rd August 2000)
S Aabelvik
T Sorenson
O G Bogen (appointed 23rd August 2000)

The directors had no disclosable interests in the share capital of the company, or any other UK group company, during the year.

Charitable Donations

The donations made by the company during the year for charitable purposes were £ 495 (1999 : £ 1,901).

Kongsberg Simrad Limited

Directors' report (continued) for the year ended 31 December 2000

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.

Auditors

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

By order of the Board,

Name: STEINAR AABELVIM

Director: Steinar Aabelvím

Date: 2nd April 2001

Kongsberg Simrad Limited

Auditors' report

To the shareholders of Kongsberg Simrad Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2000 and of its loss 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

2nd April 2001

Kongsberg Simrad Limited

Profit and Loss Account for year ended 31 December 2000

	Notes	2000	1999
		£	£
Turnover	2	17,468,968	15,902,089
Cost of sales		<u>(13,932,543)</u>	<u>(11,486,328)</u>
Gross profit		3,536,425	4,415,761
Net operating expenses	3	<u>(4,367,714)</u>	<u>(4,251,987)</u>
Operating (loss)/profit		(831,289)	424,297
Investment income	6	58,049	436,186
Interest payable and similar charges	7	<u>(98,940)</u>	<u>(82,338)</u>
(Loss)/Profit on ordinary activities before taxation	8	(872,180)	517,622
Tax on (loss)/profit on ordinary activities	9	<u>195,073</u>	<u>(123,202)</u>
Retained (loss)/profit for the year	18	<u>(677,107)</u>	<u>394,420</u>

All activity has arisen from continuing operations. There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for either year stated above, and their historical cost equivalents.

The accompanying notes form an integral part of this profit and loss account.

The company has no gains or losses other than the retained (loss)/profit for each financial year.

Kongsberg Simrad Limited

Balance Sheet as at 31 December 2000

	Notes	2000	1999
		£	£
Fixed assets			
Tangible assets	10	3,650,766	4,255,987
Investments	11	100	100
		<u>3,650,866</u>	<u>4,256,087</u>
Current assets			
Stocks	12	3,372,410	2,993,996
Debtors	13	4,173,279	3,626,912
Cash at bank and in hand		420,469	1,457,196
		<u>7,966,158</u>	<u>8,078,104</u>
Creditors: Amounts falling due within one year	14	<u>(8,122,726)</u>	<u>(7,803,138)</u>
Net current (liabilities)/assets		<u>(156,568)</u>	<u>274,966</u>
Total assets less current liabilities		<u>3,494,298</u>	<u>4,531,053</u>
Creditors: Amounts falling due after more than one year	15	<u>(1,372,500)</u>	<u>(1,555,500)</u>
Provision for liabilities and charges	16	<u>-</u>	<u>(176,648)</u>
Net assets		<u><u>2,121,798</u></u>	<u><u>2,798,905</u></u>
Capital and reserves			
Called-up share capital	17	2,772,681	2,772,681
Profit and loss account	18	<u>(650,883)</u>	<u>26,224</u>
Equity shareholders' funds	19	<u><u>2,121,798</u></u>	<u><u>2,798,905</u></u>

The financial statements on pages 5 to 16 were approved by the board of directors on 2nd April 2001 and were signed on its behalf by:

The accompanying notes form an integral part of this balance sheet.



S Aabelvik

Director

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

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 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 and in accordance with applicable accounting standards.

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, whose accounts are publicly available. The company is also, on this basis, exempt from the requirement of FRS1 to present a cash flow statement.

Tangible fixed assets

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

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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.

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.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

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. Excess progress payments are included in creditors as payments on account. 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.

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.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

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.

	2000 £	1999 £
Geographical analysis of turnover:		
- United Kingdom	13,753,040	12,283,948
- Rest of the world	<u>3,715,928</u>	<u>3,618,141</u>
	<u>17,468,968</u>	<u>15,902,089</u>

3 NET OPERATING EXPENSES

	2000 £	1999 £
Net Operating Expenses:		
- Administration expenses	3,641,092	3,557,822
- Distribution expenses	<u>726,622</u>	<u>694,165</u>
	<u>4,367,714</u>	<u>4,251,987</u>

4 DIRECTORS' EMOLUMENTS

	2000 £	1999 £
Aggregate emoluments	165,616	94,570
Company pension contributions to defined contribution schemes	<u>5,250</u>	<u>12,000</u>
	<u>170,866</u>	<u>106,570</u>

Three of the directors who served during the year are remunerated by other group companies.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

5 EMPLOYEE INFORMATION

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

	2000	1999
By activity:	Number	Number
- Management	10	12
- Administration	36	27
- Technical	99	121
	<u>145</u>	<u>160</u>

	2000	1999
	£	£
Staff costs (for the above persons):		
- Wages and salaries	3,251,514	3,396,181
- Social Security costs	317,814	330,272
- Pension costs	147,151	164,596
	<u>3,716,479</u>	<u>3,891,049</u>

6 INVESTMENT INCOME

	2000	1999
	£	£
Interest receivable	58,049	47,450
Dividend received	-	388,736
	<u>58,049</u>	<u>436,186</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
On bank loans and overdrafts	-	997
Interest payable to group companies	98,940	81,341
	<u>98,940</u>	<u>82,338</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

8 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000	1999
	£	£
(Loss)/profit on ordinary activities before taxation is stated after charging/ (crediting):		
Hire of equipment	47,959	29,218
Rentals under operating leases:		
- Other	61,769	73,817
Depreciation of tangible fixed assets	1,027,930	910,060
Auditors' remuneration	18,000	18,000
(Profit)/loss on disposal of tangible fixed assets	<u>(63,514)</u>	<u>10,209</u>

Auditors' remuneration in respect of non-audit services amounted to £ 17,478 (1999: £ 11,500).

9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The (credit)/charge for the year is as follows:

	2000	1999
	£	£
United Kingdom corporation tax		
Current	-	123,487
Deferred	<u>(176,648)</u>	<u>(285)</u>
	(176,648)	123,202
Overprovision in respect of prior years:		
Current	<u>(18,425)</u>	-
	<u>(195,073)</u>	<u>123,202</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

10 TANGIBLE FIXED ASSETS

	Property £	Tenant's Improvements £	Motor vehicles £	Plant and Equipment £	Total £
Cost					
At 1 January 2000	1,861,765	96,137	59,536	4,936,144	6,953,582
Additions	-	-	-	584,220	584,220
Disposals	-	(2,879)	(30,085)	(441,921)	(474,885)
At 31 December 2000	1,861,765	93,258	29,451	5,078,443	7,062,917
Depreciation					
At 1 January 2000	77,458	19,731	27,883	2,572,523	2,697,595
Charge for the year	76,657	3,510	6,033	941,730	1,027,930
Disposals	-	(1,562)	(8,776)	(303,036)	(313,374)
At 31 December 2000	154,115	21,679	25,140	3,211,217	3,412,151
Net book value					
At 31 December 2000	1,707,650	71,579	4,311	1,867,226	3,650,766
At 31 December 1999	1,784,307	76,406	31,653	2,363,621	4,255,987

11 INVESTMENT HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £
Cost and net book value at 1 January and 31 December 2000	100

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

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

12 STOCKS

	2000	1999
	£	£
Raw materials	1,964,615	851,950
Work in progress	458,830	397,172
Finished goods	948,965	1,744,874
	<u>3,372,410</u>	<u>2,993,996</u>

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ nil (1999: £55,058).

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

13 DEBTORS

	2000	1999
	£	£
Trade debtors	2,089,913	3,280,264
Amounts recoverable on contracts	1,110,993	-
Amounts owed by group undertakings	577,334	308,950
Other debtors	7,597	305
Corporation tax recoverable	149,584	-
Prepayments and accrued income	237,858	37,393
	<u>4,173,279</u>	<u>3,626,912</u>

Included within trade debtors are amounts falling due after more than one year of £4,234 (1999: £14,049).

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£	£
Trade creditors	355,151	538,922
Amounts owed to group undertakings	6,335,640	6,224,720
Loans from group undertakings (see note 15)	198,598	264,341
Corporation tax	-	110,992
Other taxation and social security	145,640	211,857
Accruals and deferred income	1,087,697	452,306
	<u>8,722,726</u>	<u>7,803,138</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The directors have received confirmation from the directors of Kongsberg Maritime AS, that repayment of amounts due to that company and its subsidiaries will not be demanded, except to the extent that the company has surplus funds available whilst it continues to settle liabilities to third parties as they fall due. Accordingly the accounts have been prepared on a going concern basis.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Loans from group undertakings	<u>1,372,500</u>	<u>1,555,500</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	198,598	264,341
Between one and two years	183,000	183,000
Between two and five years	549,000	549,000
In five years or more	<u>640,500</u>	<u>823,500</u>
	<u>1,571,098</u>	<u>1,819,841</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 2000	176,648
Released during the year	<u>(176,648)</u>
At 31 December 2000	<u>-</u>

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not Provided	
	2000	1999	2000	1999
	£	£	£	£
Capital allowances in excess of depreciation	<u>-</u>	<u>176,648</u>	<u>-</u>	<u>-</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

17 CALLED-UP SHARE CAPITAL

	2000 £	1999 £
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 2000	26,224
Retained loss for the year	(677,107)
At 31 December 2000	<u>(650,883)</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Opening shareholders' funds	2,798,905	2,404,485
(Loss)/profit for the financial year and net (depletion)/addition to shareholders' funds	(677,107)	394,420
Closing shareholders' funds	<u>2,121,798</u>	<u>2,798,905</u>

20 CONTINGENT LIABILITY

The company has entered into two trade guarantees totalling £368,139 (1999: £ 16,404) both of which are in the normal course of business.

HM Customs and Excise hold a deferred duty bond with a value of £ 200,000 (1999 : £ 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 2000 under this arrangement amounted to £nil (1999: £nil).

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2000

21 CAPITAL COMMITMENTS

	2000 £	1999 £
Capital expenditure contracted for but not provided in the financial statements	<u>37,935</u>	<u>322,590</u>

22 OPERATING LEASE COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	2000 Other £	1999 Other £
Expiring within one year	11,446	4,321
Expiring within 2 to 5 years	<u>50,287</u>	<u>94,222</u>
	<u>61,733</u>	<u>98,543</u>

23 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.

24 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The only 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.