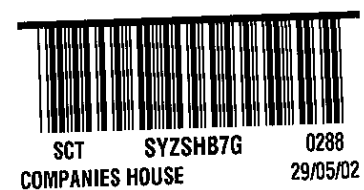


Kongsberg Simrad Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 107343



Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2001

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Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Aabelvik
T Sorenson
O G Bogen

SECRETARY

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

Ledingham Chalmers (resigned 1st February 2001)
Johnstone House
52-54 Rose Street
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
Johnstone House
52-54 Rose Street
Aberdeen

AUDITORS

Arthur Andersen
Chartered Accountants
191 West George Street
Glasgow

Kongsberg Simrad Limited

Directors' report for the year ended 31 December 2001

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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 2001, the directors continued with the restructuring of the company to concentrate on core business activity within the offshore, ocean science and government markets. As part of this consolidation process the company divested the business and assets of its Technology Group, based in Lancaster. The divestment was completed in April 2001.

The harsh-environment camera systems business is engaged in a long-term military contract that involved significant build-up of work-in-progress stocks throughout the year. It is expected that all final systems deliverables on this contract will be completed within 2002.

Market conditions for major offshore and ocean science projects were strong throughout the year, and turnover in this area increased significantly from 2000. The markets showed signs of weakening demand in the last quarter of 2001, following the events of September 11. The directors expect that the offshore markets will remain cautious throughout 2002. The company's after-sales business (including system service, training and equipment rental) saw much stronger demand in the second half of the year, and it is expected this growth will continue in 2002.

Results and dividends

The profit after taxation of £ 53,217 (2000: loss £677,107) has been transferred to reserves. The directors do not recommend the payment of a dividend (2000: £ nil).

On 1 January 2001, the trade and assets of Seatex Limited, a fellow group undertaking, were transferred at net book value to Kongsberg Simrad Limited.

Directors

The directors of the company at 31 December 2001, who served during the year, are listed below:

S Aabelvik
T Sorenson
O G Bogen

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

Kongsberg Simrad Limited

Directors' report (continued) for the year ended 31 December 2001

Charitable Donations

The donations made by the company during the year for charitable purposes were £ 875 (2000 : £ 495).

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 Aabelvik*

Director: *STEINAR AABELVIK*

Date: *29/4.02*

Kongsberg Simrad Limited

Independent Auditors' report

Independent auditors' report to the shareholders of Kongsberg Simrad Limited

We have audited the financial statements of Kongsberg Simrad Limited, for the year ended 31 December 2001 which comprise the Profit and loss accounts, Balance sheet and the related notes numbered 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. 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 opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2001 and of the company's 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

Kongsberg Simrad Limited

Profit and Loss Account for year ended 31 December 2001

	Notes	2001	2000
		£	£
Turnover	2	19,084,526	17,468,968
Cost of sales		(14,809,442)	(13,932,543)
Gross profit		4,275,084	3,536,425
Net operating expenses	3	(4,169,191)	(4,367,714)
Operating profit/(loss)		105,893	(831,289)
Investment income	6	35,732	58,049
Interest payable and similar charges	7	(88,408)	(98,940)
Profit/(loss) on ordinary activities before taxation	8	53,217	(872,180)
Tax on profit/(loss) on ordinary activities	9	-	195,073
Retained profit/(loss) for the year	18	53,217	(677,107)

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

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

Kongsberg Simrad Limited

Balance Sheet as at 31 December 2001

	Notes	2001	2000
		£	£
Fixed assets			
Tangible assets	10	3,129,537	3,650,766
Investments	11	100	100
		<u>3,129,637</u>	<u>3,650,866</u>
Current assets			
Stocks	12	5,380,156	3,372,410
Debtors	13	5,125,998	4,173,279
Cash at bank and in hand		374,165	420,469
		<u>10,880,319</u>	<u>7,966,158</u>
Creditors: Amounts falling due within one year	14	<u>(10,606,441)</u>	<u>(8,122,726)</u>
Net current assets/(liabilities)		<u>273,878</u>	<u>(156,568)</u>
Total assets less current liabilities		<u>3,403,515</u>	<u>3,494,298</u>
Creditors: Amounts falling due after more than one year	15	<u>(1,189,500)</u>	<u>(1,372,500)</u>
Net assets		<u><u>2,214,015</u></u>	<u><u>2,121,798</u></u>
Capital and reserves			
Called-up share capital	17	2,772,681	2,772,681
Profit and loss account	18	(558,666)	(650,883)
Equity shareholders' funds	19	<u><u>2,214,015</u></u>	<u><u>2,121,798</u></u>

The financial statements on pages 5 to 17 were approved by the board of directors on
and were signed on its behalf by:

29/4.02

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


S Aabelvik

Director

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 2001

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 2001

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

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 2001

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.

	2001 £	2000 £
Geographical analysis of turnover:		
- United Kingdom	13,777,027	13,753,040
- Rest of the world	5,307,499	3,715,928
	<u>19,084,526</u>	<u>17,468,968</u>

3 NET OPERATING EXPENSES

	2001 £	2000 £
Net Operating Expenses:		
- Administration expenses	3,238,517	3,641,092
- Distribution expenses	930,674	726,622
	<u>4,169,191</u>	<u>4,367,714</u>

4 DIRECTORS' EMOLUMENTS

	2001 £	2000 £
<i>Aggregate emoluments</i>	4,405	165,616
Company pension contributions to defined contribution schemes	-	5,250
	<u>4,405</u>	<u>170,866</u>

The aggregate emoluments of £ 4,405 in 2001 related to Directors' Fees only. All of the directors who served during the year are remunerated by other group companies. None of their remuneration, with the exception of the fees detailed above, is in respect of their duties as a director of this company.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

5 EMPLOYEE INFORMATION

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

	2001	2000
By activity:	Number	Number
- Management	10	10
- Administration	40	36
- Technical	92	99
	<u>142</u>	<u>145</u>

	2001	2000
	£	£
Staff costs (for the above persons):		
- Wages and salaries	3,324,234	3,251,514
- Social Security costs	315,697	317,814
- Pension costs	148,506	147,151
	<u>3,788,437</u>	<u>3,716,479</u>

6 INVESTMENT INCOME

	2001	2000
	£	£
Bank interest receivable	<u>35,732</u>	<u>58,049</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
On bank loans and overdrafts	824	-
Interest payable to group companies	<u>87,584</u>	<u>98,940</u>
	<u>88,408</u>	<u>98,940</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

8 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £	2000 £
Profit/(loss) on ordinary activities before taxation is stated after (crediting)/charging:		
Forgiveness of intercompany payable (see note 20)	(148,156)	-
Hire of equipment	77,836	47,959
Rentals under operating leases:		
- Other	63,246	61,769
Depreciation of tangible fixed assets	1,080,566	1,027,930
Auditors' remuneration	21,000	18,000
Profit on disposal of tangible fixed assets	<u>(52,650)</u>	<u>(63,514)</u>

Auditors' remuneration in respect of non-audit services amounted to £ 9,800 (2000 : £ 17,478).

9 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The credit for the year is as follows:

	2001 £	2000 £
United Kingdom corporation tax		
Current		-
Deferred	-	(176,648)
	<u>-</u>	<u>(176,648)</u>
Overprovision in respect of prior years:		
Current	-	(18,425)
	<u>-</u>	<u>(195,073)</u>

There is no current year corporation tax due to the availability of unrelieved taxation losses.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

10 TANGIBLE FIXED ASSETS

	Property £	Tenant's Improvements £	Motor vehicles £	Plant and Equipment £	Total £
Cost					
At 1 January 2001	1,861,765	93,258	29,451	5,078,443	7,062,917
Additions	-	29,669	2,750	696,099	728,518
Disposals	-	(14,388)	(2,750)	(661,994)	(679,132)
At 31 December 2001	1,861,765	108,539	29,451	5,112,548	7,112,303
Depreciation					
At 1 January 2001	154,115	21,679	25,140	3,211,217	3,412,151
Charge for the year	76,303	17,008	2,835	984,420	1,080,566
Disposals	-	(10,237)	(586)	(499,128)	(509,951)
At 31 December 2001	230,418	28,450	27,389	3,696,509	3,982,766
Net book value					
At 31 December 2001	1,631,347	80,089	2,062	1,416,039	3,129,537
At 31 December 2000	1,707,650	71,579	4,311	1,867,226	3,650,766

11 INVESTMENT HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £
Cost and net book value at 1 January and 31 December 2001	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 2001

12 STOCKS

	2001	2000
	£	£
Raw materials	2,390,057	1,964,615
Work in progress	1,473,949	458,830
Finished goods	1,516,150	948,965
	<u>5,380,156</u>	<u>3,372,410</u>

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 1,039,913 (2000: £ nil).

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

13 DEBTORS

	2001	2000
	£	£
Trade debtors	4,119,174	2,089,913
Amounts recoverable on contracts	-	1,110,993
Amounts owed by group undertakings	781,357	577,334
Other debtors	-	7,597
Corporation tax recoverable	37,131	149,584
Prepayments and accrued income	188,336	237,858
	<u>5,125,998</u>	<u>4,173,279</u>

Included within trade debtors are amounts falling due after more than one year of £ nil (2000 : £ 4,234).

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£	£
Trade creditors	165,544	355,151
Amounts owed to group undertakings	6,674,415	6,335,640
Loans from group undertakings (see note 15)	210,976	198,598
Other taxation and social security	323,619	145,640
Accruals and deferred income	3,231,887	1,087,697
	<u>10,606,441</u>	<u>8,722,726</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

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

	2001 £	2000 £
Loans from group undertakings	<u>1,189,500</u>	<u>1,372,500</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	210,976	198,598
Between one and two years	183,000	183,000
Between two and five years	549,000	549,000
In five years or more	<u>457,500</u>	<u>640,500</u>
	<u>1,400,476</u>	<u>1,571,098</u>

16 DEFERRED TAXATION

There is no provided or unprovided deferred taxation in either year.

17 CALLED-UP SHARE CAPITAL

	2001 £	2000 £
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>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

18 RESERVES

	Profit and Loss £
At 1 January 2001	(650,883)
Retained profit for the year	92,217
At 31 December 2001	<u>(558,666)</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Opening shareholders' funds	2,121,798	2,798,905
Profit/(loss) for the financial year and net addition/(depletion) to shareholders' funds	92,217	(677,107)
Closing shareholders' funds	<u>2,214,015</u>	<u>2,121,798</u>

20 ACQUISITIONS

On 1 January 2001, the trade and assets of Seatex Limited, a fellow group undertaking, were transferred at net book value to Kongsberg Simrad Limited. There was no material difference between the book value and the fair value of the assets and liabilities transferred.

The assets and liabilities of Seatex Limited acquired are set out below:

	Book value £	Fair value adjustments £	Fair value £
Tangible fixed assets	79,132	-	79,132
Current assets			
Debtors	278,443	(9,996)	268,447
Total assets	357,575	(9,996)	347,579
Liabilities			
Creditors	(56,111)	11,112	(44,999)
Bank overdraft	(154,424)	-	(154,424)
Net assets	<u>147,040</u>	<u>1,116</u>	<u>148,156</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2001

20 ACQUISITIONS (continued)

The consideration for the net assets acquired was funded through intercompany debt. Subsequent to the transaction, the intercompany debt due to Seatex Limited has been forgiven (see note 8).

21 CONTINGENT LIABILITY

The company has entered into two trade guarantees totalling £368,139 (2000 : £ 368,139) 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 (2000 : £ 200,000).

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 2001 under this arrangement amounted to £nil (2000 : £nil).

22 CAPITAL COMMITMENTS

	2001 £	2000 £
Capital expenditure contracted for but not provided in the financial statements	<u>95,355</u>	<u>37,935</u>

23 OPERATING LEASE COMMITMENTS

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

	2001 Other £	2000 Other £
Expiring within one year	12,750	11,446
Expiring within 2 to 5 years	<u>58,022</u>	<u>50,287</u>
	<u>70,772</u>	<u>61,733</u>

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 (continued) for the year ended 31 December 2001

25 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.