

Kongsberg Simrad Limited

Annual report and financial statements
for the year ended 31 December 2002

Registered number: 107343



Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2002

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2 - 3
Independent Auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 18

Kongsberg Simrad Limited

Annual report and financial statements for the year ended 31 December 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Aabelvik
T Sorenson
O G Bogen

SECRETARY

A Adams
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
Johnstone House
52-54 Rose Street
Aberdeen

AUDITORS

Deloitte & Touche LLP
2 Queens Terrace
Aberden

Kongsberg Simrad Limited

Directors' report for the year ended 31 December 2002

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 2002, the company completed a further reorganisation and restructuring of its main operating units to improve business focus and increase operational efficiency both in the offshore product / project resale and customer support business, and also the harsh-environment camera business.

Market conditions for product sales in the offshore oilfield and underwater telecommunications sectors remained weak throughout the year. Projects and systems business reflected a quieter period for new offshore vessel projects in the UK. The underwater instrumentation business exhibited strong demand, and continues to offer some growth opportunities. The harsh-environment camera activity saw an increase in business levels from government and military customers in the USA. The company's after-sales business (including spares, service and through-life support, training and equipment rental) continued to perform well throughout the year.

The directors expect that the offshore and telecommunications product markets will remain cautious throughout 2003.

Results and dividends

The profit after taxation of £ 144,435 (2001: £ 53,217) has been transferred to reserves. The directors do not recommend the payment of a dividend (2001: £ nil).

Directors

The directors of the company at 31 December 2002, 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.

Charitable Donations

The donations made by the company during the year for charitable purposes were £ 1,243 (2001 : £ 875).

Kongsberg Simrad Limited

Directors Report (continued) for the year ended 31 December 2002

Statement of directors' responsibilities

United Kingdom 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; 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

During the year, Arthur Andersen resigned as the company's auditors following the agreement it reached with Deloitte & Touche under which the partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche to fill the vacancy created by Arthur Andersen's resignation. On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche LLP as auditors for the ensuing year.

By order of the Board,

Name:



Director: Steinar Aabelvik

Date:

18.8.03

Kongsberg Simrad Limited

Independent Auditors' Report for the year ended 31 December 2002

Independent auditors' report to the members of Kongsberg Simrad Limited

We have audited the financial statements of Kongsberg Simrad Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 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.

Kongsberg Simrad Limited

Independent Auditors' Report (continued) for the year ended 31 December 2002

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Aberdeen

21 August 2003

Kongsberg Simrad Limited

Profit & Loss Account for the year ended 31 December 2002

	Notes	2002 £	2001 (restated) £
Turnover	2	14,841,914	19,084,526
Cost of sales		(10,313,682)	(14,862,633)
Gross profit		4,528,232	4,221,893
Net operating expenses	3	(4,276,502)	(4,168,650)
Operating profit		251,730	53,243
Gain on sale of fixed assets		171,143	52,650
Investment income	6	17,510	35,732
Interest payable and similar charges	7	(170,178)	(88,408)
Profit on ordinary activities before taxation	8	270,205	53,217
Tax on profit on ordinary activities	9	(125,770)	-
Retained profit for the year	17	144,435	53,217

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 for each financial year.

Kongsberg Simrad Limited

Balance Sheet as at 31 December 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	10	2,616,407	3,129,537
Investments	11	100	100
		<u>2,616,507</u>	<u>3,129,637</u>
Current assets			
Stocks	12	3,926,467	5,380,156
Debtors	13	2,972,647	5,125,998
Cash at bank and in hand		226,378	374,165
		<u>7,125,492</u>	<u>10,880,319</u>
Creditors: Amounts falling due within one year	14	<u>(4,283,549)</u>	<u>(10,606,441)</u>
Net current assets		<u>2,841,943</u>	<u>273,878</u>
Total assets less current liabilities		<u>5,458,450</u>	<u>3,403,515</u>
Creditors: Amounts falling due after more than one year	15	<u>(3,100,000)</u>	<u>(1,189,500)</u>
Net assets		<u><u>2,358,450</u></u>	<u><u>2,214,015</u></u>
Capital and reserves			
Called-up share capital	16	2,772,681	2,772,681
Profit and loss account	17	<u>(414,231)</u>	<u>(558,666)</u>
Equity shareholders' funds	18	<u><u>2,358,450</u></u>	<u><u>2,214,015</u></u>

The financial statements on pages 6 to 18 were approved by the board of directors on 18.8.03 and were signed on its behalf by:

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

S. Aabelvik
S Aabelvik

Director

Kongsberg Simrad Limited

Notes to the financial statements for the year ended 31 December 2002

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 is set out below. These have been applied consistently throughout the current and preceding year with the exception of the application in the current year of FRS 19. This had no effect on the reported figures.

Basis of accounting

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

Prior year comparatives

As a result of the separate disclosure of the gain on the sale of fixed assets in the current year, the presentation of the prior year gain has been changed in order to aid comparison.

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. Information in these financial statements is therefore presented for the individual company rather than for the group. 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%
Plant and equipment	10 - 33%
Motor vehicles	25%

Investments

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

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

1 STATEMENT OF ACCOUNTING POLICIES (cont)

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.

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.

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

1 STATEMENT OF ACCOUNTING POLICIES (cont)

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing difference as differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 2002

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.

	2002 £	2001 £
Geographical analysis of turnover (by destination):		
- United Kingdom	10,564,624	13,777,027
- Rest of the world	<u>4,277,290</u>	<u>5,307,499</u>
	<u>14,841,914</u>	<u>19,084,526</u>

3 NET OPERATING EXPENSES

	2002 £	2001 (restated) £
Net Operating Expenses:		
- Administration expenses	3,339,689	3,237,976
- Distribution expenses	<u>936,813</u>	<u>930,674</u>
	<u>4,276,502</u>	<u>4,168,650</u>

4 DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Aggregate emoluments	<u>5,490</u>	<u>4,405</u>

The aggregate emoluments of £ 5,490 (2001: £ 4,405) 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 2002

5 EMPLOYEE INFORMATION

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

	2002	2001
By activity:	Number	Number
- Management	13	10
- Administration	34	40
- Technical	90	92
	<u>137</u>	<u>142</u>

	2002	2001
	£	£
Staff costs (for the above persons):		
- Wages and salaries	3,369,027	3,324,234
- Social Security costs	320,048	315,697
- Pension costs	155,951	148,506
	<u>3,845,026</u>	<u>3,788,437</u>

6 INVESTMENT INCOME

	2002	2001
	£	£
Bank interest receivable	<u>17,510</u>	<u>35,732</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
On bank loans and overdrafts	13	824
Interest payable to group companies	<u>170,165</u>	<u>87,584</u>
	<u>170,178</u>	<u>88,408</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001 (restated)
	£	£
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Forgiveness of intercompany payable	-	(148,156)
Hire of equipment	67,989	77,836
Rentals under operating leases:		
- Motor Vehicles	64,889	63,246
Depreciation of tangible fixed assets	882,966	1,080,566
Auditors' remuneration	20,000	21,000

Auditors' remuneration in respect of non-audit services amounted to £ 12,300 (2001 : £ 9,800).

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for the year is as follows:

	2002	2001
	£	£
United Kingdom corporation tax		
Current	125,770	-
Deferred	-	-
	<u>125,770</u>	<u>-</u>

The tax assessed for the period is higher/lower than that resulting from applying the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before taxation	<u>270,205</u>	<u>53,217</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001:30%)	81,062	15,965
Effects of:		
Expenses not deductible for tax purposes	23,108	(20,100)
Depreciation in excess of capital allowances	39,196	104,100
Other timing differences	2,383	6,796
Utilisation of losses	(19,979)	(106,761)
Current tax charge for period	<u>125,770</u>	<u>-</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

10 TANGIBLE FIXED ASSETS

	Property £	Motor vehicles £	Plant and Equipment £	Total £
Cost				
At 1 January 2002	1,970,304	29,451	5,112,548	7,112,303
Additions	5,176	23,121	480,838	509,135
Disposals	-	(20,456)	(784,747)	(805,203)
At 31 December 2002	<u>1,975,480</u>	<u>32,116</u>	<u>4,808,639</u>	<u>6,816,235</u>
Depreciation				
At 1 January 2002	258,868	27,389	3,696,509	3,982,766
Charge for the year	85,500	5,915	791,551	882,966
Disposals	-	(20,456)	(645,448)	(665,904)
At 31 December 2002	<u>344,368</u>	<u>12,848</u>	<u>3,842,612</u>	<u>4,199,828</u>
Net book value				
At 31 December 2002	<u>1,631,112</u>	<u>19,268</u>	<u>966,027</u>	<u>2,616,407</u>
At 31 December 2001	<u>1,711,436</u>	<u>2,062</u>	<u>1,416,039</u>	<u>3,129,537</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

11 INVESTMENT HELD AS FIXED ASSET

Cost and net book value at 1 January and 31 December 2002			Shares in subsidiary undertakings £ <u>100</u>
Subsidiary Undertaking	Country of incorporation, registration and operation	Activity	Proportion of ordinary shares held %
Osprey Technology Limited (formerly Kongsberg Simrad Leasing Limited)	Scotland	Dormant	100

12 STOCKS

	2002	2001
	£	£
Raw materials	1,505,277	2,390,057
Work in progress	1,537,261	1,473,949
Finished goods	883,929	1,516,150
	<u>3,926,467</u>	<u>5,380,156</u>

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 644,265 (2001: £ 1,039,913).

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

13 DEBTORS

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	2,213,257	4,119,174
Amounts owed by group undertakings	558,277	781,357
Corporation tax recoverable	21,769	37,131
Prepayments and accrued income	179,344	188,336
	<u>2,972,647</u>	<u>5,125,998</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	240,304	165,544
Amounts owed to group undertakings	1,328,185	6,674,415
Loans from group undertakings (see note 15)	1,200,000	210,976
Other taxation and social security	125,959	323,619
Accruals and deferred income	1,389,101	3,231,887
	<u>4,283,549</u>	<u>10,606,441</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Loans from group undertakings	<u>3,100,000</u>	<u>1,189,500</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	1,200,000	210,976
Between one and two years	1,200,000	183,000
Between two and five years	1,900,000	549,000
In five years or more	-	457,500
	<u>4,300,000</u>	<u>1,400,476</u>

On 23 April 2002, the company converted an intercompany trading debt of £ 3,719,000 to a long-term loan. At the same date, the existing long-term loan was re-financed under the new agreement.

16 CALLED-UP SHARE CAPITAL

	2002 £	2001 £
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 2002

17 RESERVES

	Profit and Loss £
At 1 January 2002	(558,666)
Retained profit for the year	144,435
At 31 December 2002	<u>(414,231)</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Opening shareholders' funds	2,214,015	2,121,798
Profit for the financial year and net addition to shareholders' funds	<u>144,435</u>	<u>92,217</u>
Closing shareholders' funds	<u>2,358,450</u>	<u>2,214,015</u>

19 CONTINGENT LIABILITY

The company has entered into three trade guarantees totalling £ 408,707 (2001 : £ 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 (2001 : £ 200,000).

20 CAPITAL COMMITMENTS

	2002 £	2001 £
Capital expenditure contracted for but not provided in the financial statements	<u>149,722</u>	<u>95,355</u>

21 OPERATING LEASE COMMITMENTS

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

	2002 Motor Vehicle £	2001 Motor Vehicle £
Expiring within one year	8,095	12,750
Expiring within 2 to 5 years	<u>64,761</u>	<u>58,022</u>
	<u>72,856</u>	<u>70,772</u>

Kongsberg Simrad Limited

Notes to the financial statements (continued) for the year ended 31 December 2002

22 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.

23 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.