

Kongsberg Maritime Limited

(formerly Kongsberg Simrad Limited)

Annual report and financial statements
for the year ended 31 December 2003

Registered number: 107343



Kongsberg Maritime Limited **(formerly Kongsberg Simrad Limited)**

Annual report and financial statements **for the year ended 31 December 2003**

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Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Annual report and financial statements for the year ended 31 December 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Aabelvik
T Sorenson
O G Bogen (resigned 18 August 2003)

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

DnB NOR 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 Maritime Limited **(formerly Kongsberg Simrad Limited)**

Directors' report **for the year ended 31 December 2003**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company include the sales and support of a wide range of Kongsberg group marine instrumentation equipment into the UK oilfield, scientific and military markets. The company also designs and manufactures a range of underwater and harsh-environment TV camera systems that it sells and supports around the world.

Business review

Market conditions were mixed for the company's main business lines throughout 2003. The vessel systems and offshore project market was quieter throughout the early part of the year, but business activity increased significantly towards the end of the year and provides an optimistic outlook for 2004.

Market conditions for product sales in the ROV and Drill Support sectors were relatively weak throughout the year, and the outlook for these market areas remains cautious. Underwater instrumentation products for navigation and positioning saw continued strong demand. The underwater telecommunications sector showed some signs of slow recovery for product sales. The market for equipment rental and customer support activities (including spares, service, training and through-life support) was very active throughout the year.

Government and military TV project activities within the UK and the US continued to provide good business opportunities, and a number of longer-term projects have been identified for 2004 and beyond.

Results and dividends

The profit after taxation of £ 49,967 (2002: £ 144,435) has been transferred to reserves. The directors do not recommend the payment of a dividend (2002: £ nil).

Directors

The directors of the company at 31 December 2003, who served during the year, are listed below:

S Aabelvik
T Sorenson
O G Bogen (resigned 18 August 2003)

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 £ 50 (2002 : £ 1,243).

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Directors Report (continued) for the year ended 31 December 2003

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.

Change of Company Name

On 28 January 2004 the company name was changed from Kongsberg Simrad Limited to Kongsberg Maritime Limited.

On behalf of the Board,

Name: 

Director Steinar Aabelvik

Date: 20th October 2004

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Independent Auditors' Report for the year ended 31 December 2003

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 2003 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 Maritime Limited
(formerly Kongsberg Simrad Limited)

Independent Auditors' Report (continued)
for the year ended 31 December 2003

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 2003 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

27 October 2004.

Kongsberg Maritime Limited

(formerly Kongsberg Simrad Limited)

Profit & Loss Account for the year ended 31 December 2003

	Notes	2003 £	2002 (restated) £
Turnover	2	13,069,998	14,841,914
Cost of sales		<u>(9,376,869)</u>	<u>(10,313,682)</u>
Gross profit		3,693,129	4,528,232
Net operating expenses	3	<u>(3,566,252)</u>	<u>(4,276,502)</u>
Operating profit		126,877	251,730
Gain on sale of fixed assets		129,500	171,143
Investment income	6	10,801	17,510
Interest payable and similar charges	7	<u>(167,657)</u>	<u>(170,178)</u>
Profit on ordinary activities before taxation	8	99,521	270,205
Tax on profit on ordinary activities	9	<u>(49,554)</u>	<u>(125,770)</u>
Retained profit for the year	17	<u>49,967</u>	<u>144,435</u>

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 Maritime Limited (formerly Kongsberg Simrad Limited)

Balance Sheet as at 31 December 2003

	Notes	2003	2002
		£	£
Fixed assets			
Tangible assets	10	2,549,793	2,616,407
Investments	11	100	100
		<u>2,549,893</u>	<u>2,616,507</u>
Current assets			
Stocks	12	3,120,503	3,926,467
Debtors	13	3,658,228	2,972,647
Cash at bank and in hand		-	226,378
		<u>6,778,731</u>	<u>7,125,492</u>
Creditors: Amounts falling due within one year	14	<u>(5,020,207)</u>	<u>(4,283,549)</u>
Net current assets		<u>1,758,524</u>	<u>2,841,943</u>
Total assets less current liabilities		<u>4,308,417</u>	<u>5,458,450</u>
Creditors: Amounts falling due after more than one year	15	<u>(1,900,000)</u>	<u>(3,100,000)</u>
Net assets		<u><u>2,408,417</u></u>	<u><u>2,358,450</u></u>
Capital and reserves			
Called-up share capital	16	2,772,681	2,772,681
Profit and loss account	17	<u>(364,264)</u>	<u>(414,231)</u>
Equity shareholders' funds	18	<u><u>2,408,417</u></u>	<u><u>2,358,450</u></u>

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

The financial statements on pages 6 to 18 were approved by the board of directors on 20th October 2004 and were signed on its behalf by:



S Aabelvik

Director

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements for the year ended 31 December 2003

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.

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 Maritime Limited **(formerly Kongsberg Simrad Limited)**

Notes to the financial statements (continued) **for the year ended 31 December 2003**

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 Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

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 are 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.

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.

	2003 £	2002 £
Geographical analysis of turnover (by destination):		
- United Kingdom	9,644,330	10,564,624
- Rest of the world	3,425,668	4,277,290
	<u>13,069,998</u>	<u>14,841,914</u>

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

3 NET OPERATING EXPENSES

	2003	2002 (restated)
	£	£
Net Operating Expenses:		
- Administration expenses	2,753,532	3,339,689
- Distribution expenses	812,720	936,813
	<u>3,566,252</u>	<u>4,276,502</u>

4 DIRECTORS' EMOLUMENTS

	2003	2002
	£	£
Aggregate emoluments	<u>5,755</u>	<u>5,490</u>

The aggregate emoluments of £ 5,755 (2002: £ 5,490) 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.

5 EMPLOYEE INFORMATION

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

	2003	2002
	Number	Number
By activity:		
- Management	11	13
- Administration	30	34
- Technical	79	90
	<u>120</u>	<u>137</u>
	2003	2002
	£	£
Staff costs (for the above persons):		
- Wages and salaries	3,211,657	3,369,027
- Social Security costs	333,068	320,048
- Pension costs	158,052	155,951
	<u>3,702,777</u>	<u>3,845,026</u>

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

6 INVESTMENT INCOME

	2003	2002
	£	£
Bank interest receivable	<u>10,801</u>	<u>17,510</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
On bank loans and overdrafts	-	13
Interest payable to group companies	<u>167,657</u>	<u>170,165</u>
	<u>167,657</u>	<u>170,178</u>

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003	2002 (restated)
	£	£
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Hire of equipment	54,795	67,989
Rentals under operating leases:		
- Motor Vehicles	70,090	64,889
Depreciation of tangible fixed assets	640,624	882,966
Auditors' remuneration	<u>20,000</u>	<u>20,000</u>

Auditors' remuneration in respect of non-audit services amounted to £ 6,800 (2002 : £ 12,300).

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for the year is as follows:

	2003	2002
	£	£
United Kingdom corporation tax		
Current	<u>49,554</u>	<u>125,770</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:

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>99,521</u>	<u>270,205</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002:30%)	29,856	81,062
Effects of:		
(Income)/expenses not (taxable)/deductible for tax purposes	(7,828)	23,108
Depreciation in excess of capital allowances	7,945	39,196
Other timing differences	(3,303)	2,383
Utilisation of losses	-	(19,979)
Chargeable gains	<u>22,884</u>	
Current tax charge for period	<u>49,554</u>	<u>125,770</u>

A deferred tax asset has not been recognised in respect of fixed asset and other timing differences. The estimated value of the deferred tax assets not recognised, measured as a standard rate of 30% is £ 137,887 (2002: £ 150, 087).

Kongsberg Maritime Limited

(formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued)

for the year ended 31 December 2003

10 TANGIBLE FIXED ASSETS

	Property	Motor vehicles	Plant and Equipment	Total
	£	£	£	£
Cost				
At 1 January 2003	1,975,480	32,116	4,808,639	6,816,235
Additions	113,257	11,068	683,084	807,409
Disposals	(1,356)	(11,560)	(723,596)	(736,512)
At 31 December 2003	<u>2,087,381</u>	<u>31,624</u>	<u>4,768,127</u>	<u>6,887,132</u>
Depreciation				
At 1 January 2003	344,368	12,848	3,842,612	4,199,828
Charge for the year	162,547	5,520	472,557	640,624
Disposals	-	(4,094)	(499,019)	(503,113)
At 31 December 2003	<u>506,915</u>	<u>14,274</u>	<u>3,816,150</u>	<u>4,337,339</u>
Net book value				
At 31 December 2003	<u>1,580,466</u>	<u>17,350</u>	<u>951,977</u>	<u>2,549,793</u>
At 31 December 2002	<u>1,631,112</u>	<u>19,268</u>	<u>966,027</u>	<u>2,616,407</u>

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

11 INVESTMENT HELD AS FIXED ASSET

			Shares in subsidiary undertakings £
Cost and net book value at 1 January and 31 December 2003			<u>100</u>
Subsidiary Undertaking	Country of incorporation, registration and operation	Activity	Proportion of ordinary shares held %
Osprey Technology Limited	Scotland	Dormant	100

12 STOCKS

	2003	2002
	£	£
Raw materials	1,331,321	1,505,277
Work in progress	959,109	1,537,261
Finished goods	830,073	883,929
	<u>3,120,503</u>	<u>3,926,467</u>

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 58,440 (2002: £ 644,265).

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

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

13 DEBTORS

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	2,644,218	2,213,257
Amounts owed by group undertakings	845,920	558,277
Corporation tax recoverable	29,390	21,769
Prepayments and accrued income	138,700	179,344
	<u>3,658,228</u>	<u>2,972,647</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Overdrafts	263,818	-
Trade creditors	564,333	240,304
Amounts owed to group undertakings	2,259,675	1,328,185
Loans from group undertakings (see note 15)	1,200,000	1,200,000
Other taxation and social security	162,360	125,959
Accruals and deferred income	570,021	1,389,101
	<u>5,020,207</u>	<u>4,283,549</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Loans from group undertakings	<u>1,900,000</u>	<u>3,100,000</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	1,200,000	1,200,000
Between one and two years	1,200,000	1,200,000
Between two and five years	700,000	1,900,000
	<u>3,100,000</u>	<u>4,300,000</u>

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

16 CALLED-UP SHARE CAPITAL

	2003 £	2002 £
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>

17 RESERVES

	Profit and Loss £
At 1 January 2003	(414,231)
Retained profit for the year	<u>49,967</u>
At 31 December 2003	<u>(364,264)</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Opening shareholders' funds	2,358,450	2,214,015
Profit for the financial year and net addition to shareholders' funds	<u>49,967</u>	<u>144,435</u>
Closing shareholders' funds	<u>2,408,417</u>	<u>2,358,450</u>

19 CONTINGENT LIABILITY

The company has entered into three trade guarantees totalling £ 568,138 (2002 : £ 408,707) 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 (2002 : £ 200,000).

Kongsberg Maritime Limited (formerly Kongsberg Simrad Limited)

Notes to the financial statements (continued) for the year ended 31 December 2003

20 CAPITAL COMMITMENTS

	2003 £	2002 £
Capital expenditure contracted for but not provided in the financial statements	<u>272,874</u>	<u>149,722</u>

21 OPERATING LEASE COMMITMENTS

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

	2003 Motor Vehicle £	2002 Motor Vehicle £
Expiring within one year	9,166	8,095
Expiring within 2 to 5 years	<u>83,073</u>	<u>64,761</u>
	<u>92,239</u>	<u>72,856</u>

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.

The company's immediate parent company is Kongsberg Maritime Holding Limited.