

Kongsberg Maritime Limited

Annual report and financial statements
for the year ended 31 December 2004

Registered number: SC 107343



Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2004

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2 - 3
Independent Auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 17

Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Aabelvik
T Sorenson

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

Ernst & Young LLP
50 Huntly Street
Aberdeen

Kongsberg Maritime Limited

Directors' report for the year ended 31 December 2004

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

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 continued to be mixed for the company's main business lines throughout 2004. The vessel systems and offshore project business experienced very buoyant market conditions throughout the year, and the current offshore project activity level is expected to continue into 2005. The market for instrumentation products for underwater navigation and positioning applications was also very active during 2004 and performed above expectations. The customer support and equipment rental businesses performed strongly throughout the year.

Market conditions for product sales in the underwater ROV and Drill Support sectors continued to be very weak. Enquiry levels and product order intake showed some signs of increasing market activity in the last quarter of the year, and there is a more optimistic outlook for this business area in 2005.

Government and military business activity suffered from delays and expenditure restrictions to a number of defence projects. In view of defence spending reviews and military budget restrictions the company remains cautious over short-term business prospects in this market area, but expects a stronger performance in 2005.

Results and dividends

The loss after taxation of £ 252,000 (2003: profit £ 50,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (2003: £ nil).

Directors

The directors of the company at 31 December 2004, who served during the year, are listed below:

S Aabelvik
T Sorenson

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 £ nil (2003 : nil).

Kongsberg Maritime Limited

Directors' Report (continued) for the year ended 31 December 2004

Statement of 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 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

Ernst & Young LLP were appointed auditors during the year following Deloitte & Touche's resignation. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board,



Name:

Director STEINAR AABELVIK

Date: 8. 4. 2005

Kongsberg Maritime Limited

Independent Auditors' Report for the year ended 31 December 2004

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 22. 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 United Kingdom law and accounting standards. 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 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 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

Independent Auditors' Report (continued) for the year ended 31 December 2004

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

8, April 2005.

Aberdeen

Kongsberg Maritime Limited

Profit & Loss Account for the year ended 31 December 2004

	Notes	2004 £ '000	2003 £ '000
Turnover	2	16,877	13,070
Cost of sales		(12,912)	(9,377)
Gross profit		3,965	3,693
Net operating expenses	3	(4,078)	(3,566)
Operating (loss)/profit		(113)	127
Gain on sale of fixed assets		55	129
Interest receivable	6	17	11
Interest payable and similar charges	7	(132)	(167)
(Loss)/profit on ordinary activities before taxation	8	(173)	100
Tax on (loss)/profit on ordinary activities	9	(79)	(50)
Retained (loss)/profit for the year	16	(252)	50

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 Maritime Limited

Balance Sheet as at 31 December 2004

	Notes	2004	2003
		£ '000	£ '000
Fixed assets			
Tangible assets	10	2,518	2,550
Current assets			
Stocks	11	2,372	3,121
Debtors	12	3,640	3,658
Cash at bank and in hand		835	-
		<u>6,847</u>	<u>6,779</u>
Creditors: Amounts falling due within one year	13	<u>(6,508)</u>	<u>(5,020)</u>
Net current assets		<u>339</u>	<u>1,759</u>
Total assets less current liabilities		<u>2,857</u>	<u>4,309</u>
Creditors: Amounts falling due after more than one year	14	<u>(700)</u>	<u>(1,900)</u>
Net assets		<u><u>2,157</u></u>	<u><u>2,409</u></u>
Capital and reserves			
Called-up share capital	15	2,773	2,773
Profit and loss account	16	<u>(616)</u>	<u>(364)</u>
Equity shareholders' funds	17	<u><u>2,157</u></u>	<u><u>2,409</u></u>

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

The financial statements on pages 6 to 17 were approved by the board of directors on 8.9.2005 and were signed on its behalf by:



S Aabelvik

Director

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

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.

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 the 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%

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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

Notes to the financial statements (continued) for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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.

	2004 £ '000	2003 £ '000
Geographical analysis of turnover (by destination):		
- United Kingdom	13,669	9,644
- Rest of the world	3,208	3,426
	<u>16,877</u>	<u>13,070</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

3 NET OPERATING EXPENSES

	2004 £ '000	2003 £ '000
Net Operating Expenses:		
- Administration expenses	3,177	2,754
- Distribution expenses	901	812
	<u>4,078</u>	<u>3,566</u>

4 DIRECTORS' EMOLUMENTS

	2004 £ '000	2003 £ '000
Aggregate emoluments	<u>4</u>	<u>6</u>

The aggregate emoluments of £ 4,000 (2003: £ 6,000) 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:

	2004 Number	2003 Number
By activity:		
- Management	11	11
- Administration	30	30
- Technical	74	79
	<u>115</u>	<u>120</u>
	2004 £ '000	2003 £ '000
Staff costs (for the above persons):		
- Wages and salaries	3,249	3,212
- Social Security costs	345	333
- Pension costs	162	158
	<u>3,756</u>	<u>3,703</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

6 INTEREST RECEIVABLE

	2004	2003
	£ '000	£ '000
Bank interest receivable	<u>17</u>	<u>11</u>

7 INTEREST PAYABLE

	2004	2003
	£ '000	£ '000
Interest payable to group companies	<u>132</u>	<u>167</u>

8 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003
	£ '000	£ '000
(Loss)/Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Hire of equipment	171	55
Rentals under operating leases:		
- Motor Vehicles	61	70
Depreciation of tangible fixed assets	629	641
Auditors' remuneration	<u>21</u>	<u>20</u>

Auditors' remuneration in respect of non-audit services amounted to £ 9,000 (2003 : £ 7,000).

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The charge for the year is as follows:

	2004 £ '000	2003 £ '000
Current tax:		
United Kingdom Corporation tax	-	-
Group relief	79	50
	<u>79</u>	<u>50</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:

	2004 £ '000	2003 £ '000
(Loss)/profit on ordinary activities before taxation	<u>(173)</u>	<u>100</u>
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2003: 30%)	(52)	30
Effects of:		
(Income)/expenses not (taxable)/deductible for tax purposes	24	(8)
Depreciation in excess of capital allowances	119	8
Other timing differences	(12)	(3)
Chargeable gains	-	23
Current tax charge for year	<u>79</u>	<u>50</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 £ 254,000 (2003: £ 146,000).

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

10 TANGIBLE FIXED ASSETS

	Property £ '000	Motor vehicles £ '000	Plant and Equipment £ '000	Total £ '000
Cost				
At 1 January 2004	2,087	32	4,768	6,887
Additions	-	-	619	619
Disposals	-	-	(197)	(197)
At 31 December 2004	2,087	32	5,190	7,309
Depreciation				
At 1 January 2004	507	14	3,816	4,337
Charge for the year	96	6	527	629
Disposals	-	-	(175)	(175)
At 31 December 2004	603	20	4,168	4,791
Net book value				
At 31 December 2004	1,484	12	1,022	2,518
At 31 December 2003	1,580	17	952	2,550

11 STOCKS

	2004 £ '000	2003 £ '000
Raw materials	1,168	1,332
Work in progress	457	959
Finished goods	747	830
	2,372	3,121

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 84,000 (2003: £ 58,000).

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

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

12 DEBTORS

	2004 £ '000	2003 £ '000
Amounts falling due within one year:		
Trade debtors	3,055	2,644
Amounts owed by group undertakings	441	846
Corporation tax recoverable	-	29
Prepayments and accrued income	144	139
	<u>3,640</u>	<u>3,658</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £ '000	2003 £ '000
Overdrafts	-	264
Trade creditors	227	564
Amounts owed to group undertakings	3,944	2,260
Loans from group undertakings (see note 14)	1,200	1,200
Other taxation and social security	274	162
Accruals and deferred income	863	570
	<u>6,508</u>	<u>5,020</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £ '000	2003 £ '000
Loans from group undertakings	<u>700</u>	<u>1,900</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	1,200	1,200
Between one and two years	700	1,200
Between two and five years	-	700
	<u>1,900</u>	<u>3,100</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

15 CALLED-UP SHARE CAPITAL

	2004 £ '000	2003 £ '000
Authorised		
2,772,681 ordinary shares of £ 1 each	<u>2,773</u>	<u>2,773</u>
Allotted, called-up and fully-paid		
2,772,681 ordinary shares of £ 1 each	<u>2,773</u>	<u>2,773</u>

16 RESERVES

	Profit and Loss £ '000
At 1 January 2004	(364)
Retained loss for the year	(252)
At 31 December 2004	<u>(616)</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £ '000	2003 £ '000
Opening shareholders' funds	2,409	2,359
(Loss)/profit for the financial year and net (deduction)/ addition to shareholders' funds	(252)	50
Closing shareholders' funds	<u>2,157</u>	<u>2,409</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2004

18 CONTINGENT LIABILITY

The company has entered into two trade guarantees totalling £ 123,000 (2003 : £ 568,000) 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 (2003 : £ 200,000).

19 CAPITAL COMMITMENTS

	2004 £ '000	2003 £ '000
Capital expenditure contracted for but not provided in the financial statements	<u>245</u>	<u>273</u>

20 OPERATING LEASE COMMITMENTS

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

	2004 Motor Vehicle £ '000	2003 Motor Vehicle £ '000
Expiring within one year	14	9
Expiring within 2 to 5 years	<u>43</u>	<u>83</u>
	<u>57</u>	<u>92</u>

21 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.

22 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

The company's ultimate parent company and ultimate controlling party is Kongsberg Gruppen ASA, a company registered in Norway.

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, PO Boks 1003, N-3601 Kongsberg, Norway.