

Kongsberg Maritime Limited

Annual report and financial statements
for the year ended 31 December 2005

Registered number: SC 107343



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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2005

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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Sorenson
R A Klepaker
G Thorsen
L Gørvell-Dahl

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

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 2005

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

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 for the company's core offshore oilfield products and marine vessel systems were buoyant throughout the year, and business activity levels are expected to continue into 2006. Customer support and equipment rental businesses performed strongly throughout the year. Government and military business saw weak demand and delays to project procurement programmes both in the UK and abroad.

Future developments

The company will continue to exploit the buoyant market conditions in its traditional offshore oilfield and marine markets, and will expand its range of product offerings in this area. The company will also develop new product offerings to enable business diversification into related market areas.

Results and dividends

The profit after taxation of £ 510,000 (2004: loss £ 252,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (2004: £ nil).

Directors

The directors of the company who served during the year, are listed below:

S Aabelvik	(resigned 12 August 2005)
T Sorenson	
R A Klepaker	(appointed 12 August 2005)
G Thorsen	(appointed 12 August 2005)
L Gørvell-Dahl	(appointed 12 August 2005)

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 (2004 : nil).

Kongsberg Maritime Limited

Directors' Report (continued) for the year ended 31 December 2005

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with Applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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:

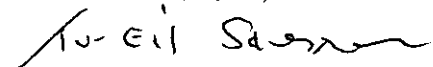
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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: TOR ERIK SØRENSEN

Director

Date: 14/1 - 06

Kongsberg Maritime Limited

Independent Auditors' Report for the year ended 31 December 2005

We have audited the company's financial statements for the year ended 31 December 2005 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

The directors are responsible for preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

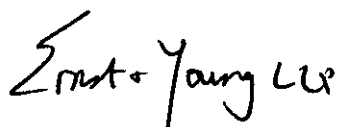
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2005

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered auditor

Aberdeen

Date 19 June 2006

Kongsberg Maritime Limited

Profit & Loss Account for the year ended 31 December 2005

	Notes	2005 £ '000	2004 £ '000
Turnover	2	16,187	16,877
Cost of sales		(11,669)	(12,912)
Gross profit		4,518	3,965
Net operating expenses	3	(3,903)	(4,078)
Operating profit/(loss)		615	(113)
Gain on sale of fixed assets		140	55
Interest receivable	6	24	17
Interest payable and similar charges	7	(73)	(132)
Profit/(loss) on ordinary activities before taxation	8	706	(173)
Tax on profit/(loss) on ordinary activities	9	(196)	(79)
Retained profit/(loss) for the year	16	510	(252)

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.

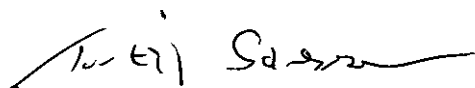
Kongsberg Maritime Limited

Balance Sheet as at 31 December 2005

	Notes	2005 £ '000	2004 £ '000
Fixed assets			
Tangible assets	10	2,656	2,518
Current assets			
Stocks	11	3,026	2,372
Debtors	12	2,751	3,640
Cash at bank and in hand		1,054	835
		<u>6,831</u>	<u>6,847</u>
Creditors: Amounts falling due within one year	13	<u>(6,820)</u>	<u>(6,508)</u>
Net current assets		<u>11</u>	<u>339</u>
Total assets less current liabilities		<u>2,667</u>	<u>2,857</u>
Creditors: Amounts falling due after more than one year	14	<u>-</u>	<u>(700)</u>
Net assets		<u><u>2,667</u></u>	<u><u>2,157</u></u>
Capital and reserves			
Called-up share capital	15	2,773	2,773
Profit and loss account	16	<u>(106)</u>	<u>(616)</u>
Equity shareholders' funds	17	<u><u>2,667</u></u>	<u><u>2,157</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 14/1 - 06 and were signed on its behalf by:



T Sorenson

Director

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

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 cost 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 2005

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 2005

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. The charge for pension contributions for the year was £ 323,000. The outstanding pension contributions at 31 December 2005 amounted to £ 28,000.

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.

	2005 £ '000	2004 £ '000
Geographical analysis of turnover (by destination):		
- United Kingdom	11,498	13,669
- Rest of the world	4,689	3,208
	<u>16,187</u>	<u>16,877</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

3 NET OPERATING EXPENSES

	2005 £ '000	2004 £ '000
Net Operating Expenses:		
- Administration expenses	2,963	3,177
- Distribution expenses	940	901
	<u>3,903</u>	<u>4,078</u>

4 DIRECTORS' EMOLUMENTS

	2005 £ '000	2004 £ '000
Aggregate emoluments	<u>-</u>	<u>4</u>

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

5 EMPLOYEE INFORMATION

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

	2005 Number	2004 Number
By activity:		
- Management	11	11
- Administration	29	30
- Technical	76	74
	<u>116</u>	<u>115</u>

	2005 £ '000	2004 £ '000
Staff costs (for the above persons):		
- Wages and salaries	3,439	3,249
- Social Security costs	368	345
- Pension costs	171	162
	<u>3,978</u>	<u>3,756</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

6 INTEREST RECEIVABLE

	2005	2004
	£ '000	£ '000
Bank interest receivable	<u>24</u>	<u>17</u>

7 INTEREST PAYABLE

	2005	2004
	£ '000	£ '000
Interest payable to group companies	<u>73</u>	<u>132</u>

8 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£ '000	£ '000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Hire of equipment	288	171
Rentals under operating leases:		
- Motor Vehicles	56	61
Depreciation of tangible fixed assets	729	629
Auditors' remuneration	<u>23</u>	<u>21</u>

Auditors' remuneration in respect of non-audit services amounted to £ 8,000 (2004 : £ 9,000).

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

9 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The charge for the year is as follows:

	2005 £ '000	2004 £ '000
Current tax:		
United Kingdom Corporation tax	119	-
Group relief	77	79
	<u>196</u>	<u>79</u>

The tax assessed for year differs from the application of the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £ '000	2004 £ '000
Profit/(loss) on ordinary activities before taxation	<u>706</u>	<u>(173)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	212	(52)
Effects of:		
(Income)/expenses not (taxable)/deductible for tax purposes	44	24
(Accelerated)/decelerated of capital allowances	(72)	119
Other timing differences	12	(12)
Current tax charge for year	<u>196</u>	<u>79</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 £ 195,000 (2004: £ 254,000).

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

10 TANGIBLE FIXED ASSETS

	Leasehold Property £ '000	Motor vehicles £ '000	Plant and Equipment £ '000	Total £ '000
Cost				
At 1 January 2005	2,087	32	5,190	7,309
Additions	-	-	918	918
Disposals	-	-	(286)	(286)
At 31 December 2005	2,087	32	5,822	7,941
Depreciation				
At 1 January 2005	603	20	4,168	4,791
Charge for the year	96	6	627	729
Disposals	-	-	(235)	(235)
At 31 December 2005	699	26	4,560	5,285
Net book value				
At 31 December 2005	1,388	6	1,262	2,656
At 31 December 2004	1,484	12	1,022	2,518

11 STOCKS

	2005 £ '000	2004 £ '000
Raw materials	1,101	1,168
Work in progress	1,229	457
Finished goods	696	747
	3,026	2,372

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £ 361,000 (2004: £ 84,000).

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 2005

12 DEBTORS

	2005 £ '000	2004 £ '000
Amounts falling due within one year:		
Trade debtors	2,093	3,055
Amounts owed by group undertakings	459	441
Prepayments and accrued income	199	144
	<u>2,751</u>	<u>3,640</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £ '000	2004 £ '000
Trade creditors	268	227
Amounts owed to group undertakings	4,737	3,944
Loans from group undertakings (see note 14)	700	1,200
Corporation tax	119	-
Other taxation and social security	156	274
Accruals and deferred income	840	863
	<u>6,820</u>	<u>6,508</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £ '000	2004 £ '000
Loans from group undertakings	<u>700</u>	<u>700</u>
Loans from group undertakings are unsecured, bearing interest at 6% per annum.		
Repayable as follows:		
In one year or less	700	1,200
Between one and two years	-	700
	<u>700</u>	<u>1,900</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

15 CALLED-UP SHARE CAPITAL

	2005 £ '000	2004 £ '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 2005	(616)
Retained profit for the year	510
At 31 December 2005	<u>(106)</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £ '000	2004 £ '000
Opening shareholders' funds	2,157	2,409
Profit/(loss) for the financial year	<u>510</u>	<u>(252)</u>
Closing shareholders' funds	<u>2,667</u>	<u>2,157</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued) for the year ended 31 December 2005

18 CONTINGENT LIABILITY

The company has entered into three trade guarantees totalling £ 168,000 (2004 : £ 123,000), all of which are in the normal course of business.

HM Customs and Excise hold a deferred duty bond with a value of £ 200,000 (2004 : £ 200,000).

19 CAPITAL COMMITMENTS

	2005 £ '000	2004 £ '000
Capital expenditure contracted for but not provided in the financial statements	<u>220</u>	<u>245</u>

20 OPERATING LEASE COMMITMENTS

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

	2005 Motor Vehicles £ '000	2004 Motor Vehicles £ '000
Expiring within one year	7	14
Expiring within 2 to 5 years	<u>79</u>	<u>43</u>
	<u>86</u>	<u>57</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.