

Kongsberg Maritime Limited

Annual report and financial statements
for the year ended 31 December 2007

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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2007

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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2007

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 LLP
Johnstone House
52 54 Rose Street
Aberdeen

AUDITORS

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen

Kongsberg Maritime Limited

Directors' report for the year ended 31 December 2007

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities and review of the business

The principal business activities during the year continued to be the resale of sister company products and systems, own-equipment manufacture, customer support and the rental of a broad range of marine instrumentation. Primary market areas addressed included the offshore oilfield related sector, oceanographic, scientific and military naval markets.

The company's key financial and performance indicators during the year were as follows

	2007 £'000	2006 £'000	Change %
Company Turnover	25,342	18,760	+35%
Operating Profit	2,583	1,954	+ 32%
Profit after Tax	2,143	1,439	+ 49%
Shareholders' Funds	6,249	4,106	+52%
Current assets/current liabilities ratio	1.41	1.331	+ 5%
Average number of employees	140	124	+ 13%

Company turnover increased by 35% over the year, primarily due to very buoyant business activity within the offshore oilfield related markets for the company's main systems and products. All business areas within the marine markets that the company addresses saw some significant growth, including systems and product resale activity, own manufactured product, equipment rental, customer service, operational support and the provision of customer training. Military project business turnover saw some useful growth, especially in export markets, while UK activity remained static.

Conditions within the core offshore oilfield related markets are expected to remain relatively strong throughout 2008. Military business activity is expected to show some small growth throughout the coming year.

Operating profit saw a 32% increase over the previous year, which in turn led to a 52% increase in shareholder funds. This growth in profitability was primarily due to the increase in sales turnover in the offshore oilfield related business sectors.

The average number of employees increased by 13% over the year, reflecting the overall increase in the level of business activity. It is expected that there may be some small increase in employee numbers in 2008 in order to meet future business development plans.

Kongsberg Maritime Limited

Directors' report for the year ended 31 December 2007

The products and services that are manufactured and supplied by the company do not have a major environmental impact. Increasingly, some of the underwater inspection and survey instruments being supplied by the company are being used for environmental monitoring and protection activities within the marine environment. The company continues to work steadily towards improving the efficiency of its products and processes to minimise environmental impact.

Future developments

The company will continue to exploit the buoyant market conditions in its traditional offshore oilfield and marine markets, and will continue to enhance 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 £2,143,000 (2006 profit £1,436,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (2006 £nil).

Directors

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

T Sorenson
R A Klepaker
G Thorsen
L Gørvell Dahl

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Charitable Donations

The donations made by the company during the year for charitable purposes were £300 (2006 £1,000).

Kongsberg Maritime Limited

Directors' Report (continued) for the year ended 31 December 2007

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 **SØRENSEN TOR ERIK**

Director

Date: **19, JUNE 2008**

Kongsberg Maritime Limited

Independent Auditors' Report for the year ended 31 December 2007

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account and 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

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

In addition 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, 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.

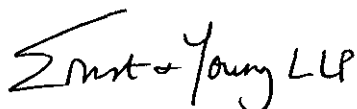
Kongsberg Maritime Limited

Independent Auditors' Report for the year ended 31 December 2007

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP

Registered auditor

Aberdeen

19 June 2008

Kongsberg Maritime Limited

Profit & Loss Account for the year ended 31 December 2007

	Notes	2007 £ '000	2006 £ '000
Turnover	2	25,342	18,760
Cost of sales		(17,583)	(12,578)
Gross profit		7,759	6,182
Operating expenses	3	(5,176)	(4,228)
Operating profit		2,583	1,954
Gain on sale of fixed assets		195	127
Interest receivable	7	65	35
Interest payable and similar charges	8	(65)	(55)
Profit on ordinary activities before taxation	9	2,778	2,061
Tax on profit on ordinary activities	10	(635)	(622)
Retained profit for the year	17	2,143	1,439

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

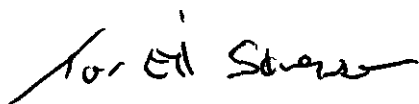
Kongsberg Maritime Limited

Balance Sheet as at 31 December 2007

	Notes	2007 £ '000	2006 £ '000
Fixed assets			
Tangible assets	11	2,455	2,550
Current assets			
Stocks	12	4,337	3,137
Debtors	13	5,650	4,862
Cash at bank and in hand		2,811	646
		<u>12,798</u>	<u>8,645</u>
Creditors. Amounts falling due within one year	14	<u>(9,004)</u>	<u>(6,464)</u>
Net current assets		<u>3,794</u>	<u>2,181</u>
Total assets less current liabilities		<u>6,249</u>	<u>4,731</u>
Creditors' Amounts falling due after more than one year	15	<u></u>	<u>625</u>
Net assets		<u><u>6,249</u></u>	<u><u>4,106</u></u>
Capital and reserves			
Called up share capital	16	2,773	2,773
Profit and loss account	17	<u>3,476</u>	<u>1,333</u>
Equity shareholders' funds	18	<u><u>6,249</u></u>	<u><u>4,106</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 19, JUNE 2008 and were signed on its behalf by



T Sorenson

Director

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007

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:

Leasehold property	4 – 5%
Plant and equipment	10 – 33%
Motor vehicles	25%

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

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 for the year ended 31 December 2007 (continued)

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 differences 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 £369,000. The outstanding pension contributions at 31 December 2007 were £31,000 (2006: nil)

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

	2007 £ '000	2006 £ '000
Geographical analysis of turnover (by destination):		
United Kingdom	15,448	12,290
Rest of the world	9,894	6,470
	<u>25,342</u>	<u>18,760</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 OPERATING EXPENSES

	2007 £ '000	2006 £ '000
Operating Expenses		
Administration expenses	4,191	3,183
Distribution expenses	985	1,045
	<u>5,176</u>	<u>4,228</u>

4 DIRECTORS' EMOLUMENTS

	2007 £ '000	2006 £ '000
Aggregate emoluments	<u> </u>	<u> </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

	2007 Number	2006 Number
By activity		
Management	12	11
Administration	60	45
Technical	68	68
	<u>140</u>	<u>124</u>

	2007 £ '000	2006 £ '000
Staff costs (for the above persons)		
Wages and salaries	4,350	3,729
Social Security costs	450	398
Pension costs	195	178
	<u>4,995</u>	<u>4,305</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows

	2007 £ '000	2006 £ '000
Audit of the Financial Statements	28	25
Other fees to auditors		
taxation services	9	6
	<u>37</u>	<u>31</u>

7 INTEREST RECEIVABLE

	2007 £ '000	2006 £ '000
Bank interest receivable	<u>65</u>	<u>35</u>

8 INTEREST PAYABLE

	2007 £ '000	2006 £ '000
Interest payable to group companies	<u>65</u>	<u>55</u>

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £ '000	2006 £ '000
Profit on ordinary activities before taxation is stated after charging		
Loss/(gain) on foreign exchange	379	(68)
Hire of equipment	57	83
Rentals under operating leases		
Motor Vehicles	73	70
Depreciation of tangible fixed assets	<u>842</u>	<u>815</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for the year is as follows

	2007 £ '000	2006 £ '000
Current tax United Kingdom Corporation tax	833	622
Deferred tax	(198)	
	<u>635</u>	<u>622</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

	2007 £ '000	2006 £ '000
Profit on ordinary activities before taxation	<u>2,778</u>	<u>2,061</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	833	618
Effects of (Income)/expenses not (taxable)/deductible for tax purposes (Accelerated)/decelerated of capital allowances Other timing differences	<u>27</u> <u>(18)</u> <u>(9)</u>	<u>4</u> <u>(9)</u> <u>9</u>
Current tax charge for year	<u>833</u>	<u>622</u>

	2007 £ '000	2006 £ '000
Deferred Tax		
The deferred tax included in the balance sheet is as follows		
Included in debtors (note 13)	<u>198</u>	<u></u>
Decelerated capital allowances	<u>198</u>	<u></u>
Deferred tax asset	<u>198</u>	<u></u>

In the prior year, a deferred tax asset of £187,000 was not recognised due to there not being sufficient taxable profits for which to offset against This situation has reversed itself in the current year and so the deferred tax asset has been recognised

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 TANGIBLE FIXED ASSETS

	Leasehold Property £ '000	Motor vehicles £ '000	Plant and Equipment £ '000	Total £ '000
Cost				
At 1 January 2007	2,087	30	6,386	8,503
Additions	21		816	837
Disposals			(296)	(296)
At 31 December 2007	2,108	30	6,906	9,044
Depreciation				
At 1 January 2007	787	12	5,154	5,953
Charge for the year	87	7	748	842
Disposals			(206)	(206)
At 31 December 2007	874	19	5,696	6,589
Net book value				
At 31 December 2007	1,234	11	1,210	2,455
At 31 December 2006	1,300	18	1,232	2,550

12 STOCKS

	2007 £ '000	2006 £ '000
Raw materials	1,644	1,146
Work in progress	1,891	1,293
Finished goods	802	698
	4,337	3,137

Long term contract balances included within work in progress at net cost less foreseeable losses, amounted to £371,000 (2006 £114,000)

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

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 DEBTORS

	2007 £ '000	2006 £ '000
Amounts falling due within one year		
Trade debtors	3,905	3,443
Amounts owed by group undertakings	1,274	899
Prepayments and accrued income	273	520
Deferred tax (see note 10)	198	
	<u>5,650</u>	<u>4,862</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £ '000	2006 £ '000
Trade creditors	327	298
Amounts owed to group undertakings	5,226	3,488
Loans from group undertakings (see note 15)	625	750
Corporation tax	437	612
Other taxation and social security	140	142
Accruals and deferred income	2,249	1,174
	<u>9,004</u>	<u>6,464</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £ '000	2006 £ '000
Loans from group undertakings		<u>1,375</u>
Loans from group undertakings are unsecured, bearing interest in accordance with the group's internal terms		
Repayable as follows.		
In one year or less	625	750
In more than one year		625
	<u>625</u>	<u>1,375</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

16 CALLED UP SHARE CAPITAL

	2007 £ '000	2006 £ '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>

17 RESERVES

	Profit and Loss £ '000
At 1 January 2007	1,333
Retained profit for the year	2,143
At 31 December 2007	<u>3,476</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £ '000	2006 £ '000
Opening shareholders' funds	4,106	2,667
Profit for the financial year	<u>2,143</u>	<u>1,439</u>
Closing shareholders' funds	<u>6,249</u>	<u>4,106</u>

19 CONTINGENT LIABILITY

The company has entered into three trade guarantees totalling £35,000 (2006 £ 360,000) all of which are in the normal course of business

HM Customs and Excise hold a deferred duty bond with a value of £ 250,000 (2006 £200,000)

20 CAPITAL COMMITMENTS

	2007 £ '000	2006 £ '000
Capital expenditure contracted for but not provided in the financial statements	<u>54</u>	<u>123</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

21 OPERATING LEASE COMMITMENTS

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

	2007 Motor Vehicles £ '000	2006 Motor Vehicles £ '000
Expiring within one year	53	7
Expiring within 2 to 5 years	30	98
	<u>83</u>	<u>105</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 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