

Kongsberg Maritime Limited

Annual report and financial statements
for the year ended 31 December 2008

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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2008

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Kongsberg Maritime Limited

Annual report and financial statements for the year ended 31 December 2008

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 2008

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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:

	2008 £'000	2007 £'000	Change %
Company Turnover	31,502	25,342	+24%
Operating Profit	4,283	2,583	+ 66%
Profit after Tax	3,172	2,143	+ 48%
Shareholders' Funds	9,421	6,249	+51%
Current assets/current liabilities ratio	1.5 :1	1.4 :1	+7%
Average number of employees	147	140	+ 5%

Company turnover increased by 24% over the previous year. This was primarily due strong business activity within the core offshore oilfield and marine vessel related markets for the company's systems and products. All of the company's main business areas showed strong growth, particularly in product and system resale, own-manufactured product sales, equipment rental and customer support. Military project shipments showed some modest growth in export markets.

Towards the end of the year conditions in the core offshore oilfield sectors slowed considerably, and 2009 will provide a more challenging outlook for business activity.

Operating profit increased by 66% increase over the previous year and this resulted in a 51% increase in shareholder funds. This substantial increase in profitability was due to the increase in sales turnover in core offshore related business sectors.

The average number of employees increased by 5% over the course of the year. This increase reflected the overall growth in business levels. There were some further limited increases in employee numbers in 2009 in order to meet future business development plans.

The company has continued to work steadily to improve the efficiency of its products, systems and processes, and to minimise waste and scrap. The company has introduced an equipment return and recycling scheme to help minimise the environmental impact of the company's operations.

Kongsberg Maritime Limited

Directors' Report (continued) for the year ended 31 December 2008

Future developments

The company expected more challenging market conditions in 2009, which are expected to continue into 2010 but it will continue to enhance its range of systems and product offerings, allowing diversification into new and related business sectors within the core marine and offshore market.

Results and dividends

The profit after taxation of £3,172,000 (2007: profit £2,143,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (2007: £ 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 £115 (2007: £ 300).

Kongsberg Maritime Limited

Directors' Report (continued) for the year ended 31 December 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with Applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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:

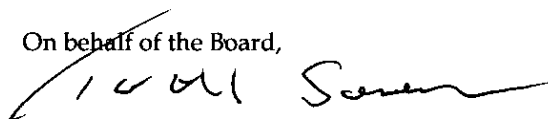
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures as disclosed and explained in the financial statements; and
- 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: 26 MARCH 2010

Kongsberg Maritime Limited

Independent Auditors' Report for the year ended 31 December 2008

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account and 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' 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.

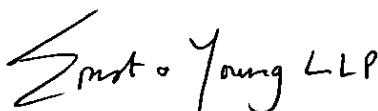
Kongsberg Maritime Limited

Independent Auditors' Report (continued) for the year ended 31 December 2008

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 2008 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

29 MARCH 2010

Kongsberg Maritime Limited

Profit & Loss Account for the year ended 31 December 2008

	Notes	2008	2007
		£ '000	£ '000
Turnover	2	31,502	25,342
Cost of sales		<u>(22,427)</u>	<u>(17,583)</u>
Gross profit		9,075	7,759
Operating expenses	3	<u>(4,792)</u>	<u>(5,176)</u>
Operating profit	4	4,283	2,583
Gain on sale of fixed assets		335	195
Interest receivable	8	100	65
Interest payable and similar charges	9	<u>(86)</u>	<u>(65)</u>
Profit on ordinary activities before taxation		4,632	2,778
Tax on profit on ordinary activities	10	<u>(1,460)</u>	<u>(635)</u>
Retained profit for the year	16	<u>3,172</u>	<u>2,143</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.

The above results relates to continuing operations.

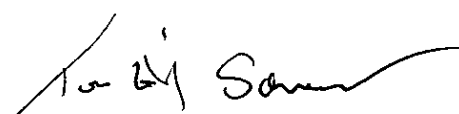
Kongsberg Maritime Limited

Balance Sheet as at 31 December 2008

	Notes	2008 £ '000	2007 £ '000
Fixed assets			
Tangible assets	11	2,663	2,455
Current assets			
Stocks	12	7,824	4,337
Debtors	13	7,895	5,650
Cash at bank and in hand		3,965	2,811
		<u>19,684</u>	<u>12,798</u>
Creditors: Amounts falling due within one year	14	<u>(12,926)</u>	<u>(9,004)</u>
Net current assets		<u>6,758</u>	<u>3,794</u>
Net assets		<u><u>9,421</u></u>	<u><u>6,249</u></u>
Capital and reserves			
Called-up share capital	15	2,773	2,773
Profit and loss account	16	<u>6,648</u>	<u>3,476</u>
Equity shareholders' funds	17	<u><u>9,421</u></u>	<u><u>6,249</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 26 March, 2010 and were signed on its behalf by:



T Sorenson

Director

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008

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 2008 (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.

Revenue Recognition

In connection with revenue recognition, the company distinguishes between system deliveries, goods/standard production and services.

System deliveries: Contracts for system deliveries take account of a customer's special requirements and entail individual design and/or development and the various elements of the contract cannot be sold separately. Such contracts are enforceable and will require the customer to cover the expenses incurred in connection with the construction at the very least. These contracts often span more than one accounting period. The value of work in progress is recognised as turnover.

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Goods/standard production: The sale of goods and standard production are recognised upon delivery. Delivery is considered complete when the customer takes over the risks and rewards for a delivered product.

Services: Services delivered which are not part of system deliveries are recognised as revenue as the service is provided.

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 £437,000. The outstanding pension contributions at 31 December 2008 were £38,000 (2007: £31,000).

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.

	2008 £ '000	2007 £ '000
Geographical analysis of turnover (by destination):		
- United Kingdom	18,619	15,448
- Rest of the world	12,883	9,894
	<u>31,502</u>	<u>25,342</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

3 OPERATING EXPENSES

	2008 £ '000	2007 £ '000
Operating Expenses:		
- Administration expenses	3,643	4,191
- Distribution expenses	1,149	985
	<u>4,792</u>	<u>5,176</u>

4 OPERATING PROFIT

	2008 £ '000	2007 £ '000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
(Gain)/loss on foreign exchange	(592)	379
Hire of equipment	210	57
Rentals under operating leases:		
- Motor Vehicles	65	73
Depreciation of tangible fixed assets	859	842
Auditors remuneration (note 5)	<u>41</u>	<u>37</u>

5 AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows:

	2008 £ '000	2007 £ '000
Audit of the Financial Statements	30	28
Other fees to auditors		
- taxation services	11	9
	<u>41</u>	<u>37</u>

6 DIRECTORS' EMOLUMENTS

	2008 £ '000	2007 £ '000
Aggregate emoluments	<u>-</u>	<u>-</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

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

7 EMPLOYEE INFORMATION

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

	2008	2007
By activity:	Number	Number
- Management	12	12
- Administration	61	60
- Technical	74	68
	<u>147</u>	<u>140</u>
	2008	2007
	£ '000	£ '000
Staff costs (for the above persons):		
- Wages and salaries	4,800	4,350
- Social Security costs	497	450
- Pension costs	240	195
	<u>5,537</u>	<u>4,995</u>

8 INTEREST RECEIVABLE

	2008	2007
	£ '000	£ '000
Bank interest receivable	<u>100</u>	<u>65</u>

9 INTEREST PAYABLE

	2008	2007
	£ '000	£ '000
Interest payable to group companies	<u>86</u>	<u>65</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £ '000	2007 £ '000
UK corporation tax		
UK corporation tax on profits of the year	1,258	833
Group relief payable	77	-
Adjustments in respect of previous periods	27	-
Total current tax	1,362	833
Deferred tax		
Originating and reversal of timing differences	(11)	(198)
Adjustment in respect of prior periods	109	-
	1,460	635

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 28.5% (2007:30%). The differences are reconciled below:

	2008 £ '000	2007 £ '000
Profit on ordinary activities before taxation	4,632	2,778
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	1,320	833
Effects of:		
Expenses not deductible for tax purposes	23	27
Capital allowances in excess of depreciation	(49)	(18)
Other timing differences	28	(9)
Adjustments in respect of prior periods	27	-
Capital gains (effects of indexation, rebasing etc)	13	-
Total current tax	1,362	833

	2008 £ '000	2007 £ '000
Deferred Tax		
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 13)	101	198
Decelerated capital allowances	101	198
Deferred tax asset	101	198

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 TANGIBLE FIXED ASSETS

	Leasehold Property £ '000	Motor vehicles £ '000	Plant and Equipment £ '000	Total £ '000
Cost				
At 1 January 2008	2,108	30	6,906	9,044
Additions	-	-	1,211	1211
Disposals	(5)	-	(523)	(528)
At 31 December 2008	2,103	30	7,594	9,727
Depreciation				
At 1 January 2008	874	19	5,696	6,589
Charge for the year	83	5	771	859
Disposals	-	-	(384)	(384)
At 31 December 2008	957	24	6,083	7,064
Net book value				
At 31 December 2008	1,146	6	1,511	2,663
At 31 December 2007	1,234	11	1,210	2,455

12 STOCKS

	2008 £ '000	2007 £ '000
Raw materials	1,474	1,644
Work in progress	5,154	1,891
Finished goods	1,196	802
	7,824	4,337

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £12,000 (2007: £371,000).

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 2008 (continued)

13 DEBTORS

	2008 £ '000	2007 £ '000
Amounts falling due within one year:		
Trade debtors	4,532	3,905
Amounts owed by group undertakings	2,549	1,274
Prepayments and accrued income	713	273
Deferred tax (see note 10)	101	198
	<u>7,895</u>	<u>5,650</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £ '000	2007 £ '000
Trade creditors	300	327
Amounts owed to group undertakings	5,374	5,226
Loans from group undertakings	2,400	625
Corporation tax	1,250	437
Other taxation and social security	148	140
Accruals and deferred income	3,454	2,249
	<u>12,926</u>	<u>9,004</u>

15 CALLED-UP SHARE CAPITAL

	2008 £ '000	2007 £ '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 2008	3,476
Retained profit for the year	3,172
At 31 December 2008	<u>6,648</u>

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £ '000	2007 £ '000
Opening shareholders' funds	6,249	4,106
Profit for the financial year	3,172	2,143
Closing shareholders' funds	<u>9,421</u>	<u>6,249</u>

18 CONTINGENT LIABILITY

The company has entered into one trade guarantee totalling £35,000 (2007: £ 35,000) which is in the normal course of business.

HM Customs and Excise hold a deferred duty bond with a value of £ 250,000 (2007: £250,000).

19 CAPITAL COMMITMENTS

	2008 £ '000	2007 £ '000
Capital expenditure contracted for but not provided in the financial statements	<u>85</u>	<u>54</u>

20 OPERATING LEASE COMMITMENTS

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

	2008 Motor Vehicles £ '000	2007 Motor Vehicles £ '000
Expiring within one year	6	53
Expiring within 2 to 5 years	<u>79</u>	<u>30</u>
	<u>85</u>	<u>83</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.

Kongsberg Maritime Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

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.