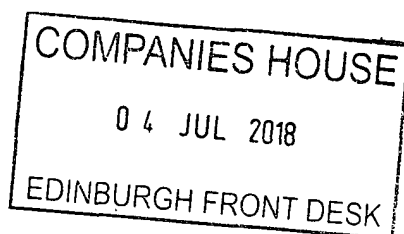


Registered number: SC 107343

Kongsberg Maritime Limited

Annual Report and Financial Statements
for the year ended 31 December 2017



Kongsberg Maritime Limited

Annual Report and Financial Statements for the year ended 31 December 2017

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Kongsberg Maritime Limited

Annual Report and Financial Statements for the year ended 31 December 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Sagdahl
T Skovlyst

SECRETARY

J Canale

REGISTERED OFFICE

Thermopylae House
Prospect Road
Arnhall Business Park
Westhill
Aberdeen AB32 6FE

BANKERS

JP Morgan Chase & Co.
25 Bank Street,
Canary Wharf
London E14 5JP

SOLICITORS

Brodies LLP
31-33 Union Grove
Aberdeen AB10 6SD

AUDITORS

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Kongsberg Maritime Limited

Strategic Report for the year ended 31 December 2017

The directors present their Strategic Report for the year ended 31 December 2017.

Principal activities and review of the business

The principal business activities during the year continued to be the resale of Kongsberg Maritime sister company products and systems within the UK, sale of in-house manufactured equipment worldwide, provision of customer support, including service and training and the rental of a broad range of marine instrumentation. Primary market areas addressed included the offshore oilfield related sector, marine and vessel markets, oceanographic, scientific, government and military naval markets.

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

	2017 £'000	2016 £'000	Change %
Turnover	29,591	27,279	8%
Operating Profit/(Loss)	1,086	(1,177)	192%
Profit / (Loss) after Tax	1,012	(54)	1,974%
Shareholders' Funds	13,534	19,605	-31%
Current assets/current liabilities ratio	2.44:1	4.43:1	-45%
Average number of employees	118	130	-9%

Turnover showed an increase compared with the previous year. Business activity in the company's core offshore vessel and large marine systems markets increased. Activities in the core offshore product related markets also saw an increase both in the purchase of new equipment and also in the growth in turnover achieved from renting equipment to supplement customers' operational capability on offshore related projects and in the provision of customer training.

The company ended the year with a reasonable order backlog and there were some signs late in the year of a levelling out in business activity in some of the company's core offshore product related markets, in reaction to falling global oil prices. The company expects that offshore oilfield related market conditions will remain challenging in the coming year.

Kongsberg Maritime Limited

Strategic Report (continued) for the year ended 31 December 2017

The operating profit in 2017 has increased by 192% when compared to the loss in the previous year. This is mainly due to an increase in the volume of sales in the year, and also the overall mix of projects and product sales. The company incurred a 31% decrease in shareholder's funds.

The average number of employees in the company decreased by 9% from 130 to 118 over the course of the year. This decrease was mainly due to leavers not being replaced due to uncertainties and investment continuing to be low on major projects with the offshore sector.

The company has continued to work steadily to improve the efficiency and effectiveness of its products, its systems and processes to minimise waste and scrap. The company operates an equipment return and recycling scheme to help minimise the environmental impact of the company's operations. The company has developed an integrated management system for all Quality, Health & Safety and Environmental management processes, and operates with formal accreditation to recognised industry standards for the management of Health & Safety (OHSAS18001) and Environmental (ISO14001) management processes, in addition to maintaining the existing management system accreditation to Quality system standard ISO9001. We have been successfully audited in November 2017 and are moving from ISO 9001 to ISO 2015. This change has taken effect from 1 February 2018.

Principal risks and uncertainties

Market risks

The main business of the company is the sale and rental of marine equipment and the provision of support services including repair, maintenance and training. The primary market driving this business activity relates both directly and indirectly to the offshore oil and gas industry. In general, market activity in this area correlates with the price of oil, and with the level of exploration and drilling activity, which is outside the company's direct control or influence. The medium and long term prospects for the offshore oil and gas market sector are continuing to be slow. The company is also addressing emerging markets for the supply of equipment and services related to renewable energy supplies.

Customers in this market purchase globally and there are a number of competitors of various sizes in Europe, North America and Asia. The company seeks to minimise the competitive risk by being a leader in product design and development, redesigning business processes to improve efficiency, managing information and providing dependable and innovative products, services and solutions that deliver a competitive advantage to our customers.

Kongsberg Maritime Limited

Strategic Report for the year ended 31 December 2017

The company also endeavours to utilise the strengths of being part of a large, prominent and successful multinational company.

Other risks and uncertainties

When designing a new product or system the company ensures that the legislative and contractual requirements of the end user are met fully.

When renting products to the client the company ensures that the equipment has been properly configured and fully tested and is accompanied with any necessary certification before being sent to the customer.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of foreign exchange movements, interest rate risk, liquidity risk, credit risk and price risk.

Foreign exchange risk

The company is exposed to foreign currency exchange rate fluctuations, mainly between sterling and the Norwegian kroner, the US dollar, the Canadian dollar and the EURO. Where applicable, the company uses forward foreign currency contracts to reduce this exposure. A large percentage of the company's foreign currency transactions are with its parent and sister companies, thereby retaining the risk within the group.

Interest rate risk

The company has no external debt, its exposure to interest rate risk is considered low.

Liquidity risk

The company has high levels of cash reserves and no external debt. As such the directors consider the company's exposure to liquidity risk to be low.

Credit risk

The company does have an element of credit risk attributable to its trade receivables, but has procedures in place to review the financial position of potential customers before entering into sales contracts. The company has a large number of contracts where the credit risk lies with its parent company, which also mitigates the potential exposure on receivables. A number of the company's key customers are government and military organisations which do not pose a significant credit risk. The amounts presented in the balance sheet are shown net of provisions for doubtful receivables. An allowance for impairment has been made where there is an identifiable loss event, or the likelihood of

Kongsberg Maritime Limited

Strategic Report for the year ended 31 December 2017

failure to be able to collect amounts based on previous experience and the current business situation for specific customers.

Price risk

The company has an element of risk attached to commodity price movements, in particular the fluctuation in the price of oil.

On behalf of the Board,

Name: H. Sagdahl

Director:

Date: 21. 06 - 2018

Kongsberg Maritime Limited

Directors Report for the year ended 31 December 2017

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Future developments

The company has continued to experience challenging market conditions in 2017, but will provide continued scope to enhance and expand its range of systems and product offerings, allowing diversification into new and related business sectors within the renewable energy production market area, and also for improved environmental monitoring and awareness.

Results and dividends

The profit after taxation of £1,012,000 (2016: loss £54,000) has been transferred to reserves. The directors approved an interim dividend of £7,083,000 during the year. The directors recommend no future payment of any dividends for the year ended 31 December 2017 (2016: £1,000,000).

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 3. The company had continuing losses in 2017 and it is not expected that it will stabilise and return to a profit making position until 2018. Whilst the cash position of the company remains strong in 2017, it did not generate positive cash flows. However, the company participates in the group centralised treasury arrangements and so shares banking facilities with its parent and fellow subsidiaries.

The financial statements have been prepared on a going concern basis as the directors have received confirmation from the company's parent company that they will continue to support the company. On this basis the directors are satisfied that the financial needs of the company should be met within its current facility.

Directors

The directors of the company who served during the year and who were appointed subsequent to the year-end are listed below:

B Jalving (resigned 1 March 2017)
J Mastervik (resigned 20 June 2017)
G Thorsen (resigned 20 June 2017)
K I Dybdal (resigned 10 May 2018)
T Slovløyst (appointed 20 June 2017)
H Sagdahl (appointed 20 June 2017)

Kongsberg Maritime Limited

Directors Report for the year ended 31 December 2017

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' 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.

Kongsberg Maritime Limited

Directors Report for the year ended 31 December 2017

Directors' Responsibilities Statement (continued)

The directors are responsible for keeping adequate 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 2006. 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

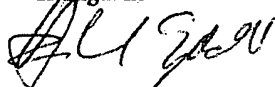
Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board,

Name: H. Sagdahl

Director

Date:


21.06.2018

Kongsberg Maritime Limited

Independent Auditor's Report for the year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KONGSBERG MARITIME LIMITED

Opinion

We have audited the financial statements of Kongsberg Maritime Limited for the year ended 31 December 2017, which comprise the Income statement, Balance Sheet, Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

Kongsberg Maritime Limited

Independent Auditor's Report for the year ended 31 December 2017

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Kongsberg Maritime Limited

Independent Auditor's Report for the year ended 31 December 2017

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

Ernst & Young LLP

Clarke Cooper (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

Date: 25 June 2018

Kongsberg Maritime Limited

Income statement for the year ended 31 December 2017

	Notes	2017 £ '000	2016 £ '000
Turnover	3	29,591	27,279
Cost of sales		(21,467)	(19,456)
Gross profit		8,124	7,823
Administration expenses		(5,800)	(7,403)
Distribution expenses		(1,238)	(1,597)
Operating profit / (loss)	4	1,086	(1,177)
Gain on sale of tangible fixed assets	11	290	451
Interest Received		52	672
Interest Expense		(220)	-
Profit / (Loss) on ordinary activities before taxation		1,208	(54)
Tax on profit / (loss) on ordinary activities	10	(196)	-
Retained profit / (loss) for the year		1,012	(54)

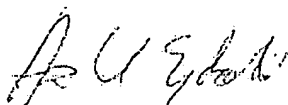
The result for the current year and the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

Kongsberg Maritime Limited
Balance Sheet
for the year ended 31 December 2017

	Notes	2017 £ '000	2016 £ '000
Fixed assets			
Tangible assets	11	2,160	4,141
Tangible assets held for sale		1,153	-
Current assets			
Stocks	12	1,733	3,935
Debtors	13	8,463	7,301
Cash at bank and in hand		5,211	8,737
Current assets held for sale		1,917	-
		<u>17,324</u>	<u>19,973</u>
Creditors: Amounts falling due within one year	14	(7,103)	(4,509)
Net current assets		<u>10,221</u>	<u>15,464</u>
Net assets		<u>13,534</u>	<u>19,605</u>
Capital and reserves			
Called-up share capital	15	2,773	2,773
Profit and loss account	16	10,761	16,832
Equity shareholders' funds		<u>13,534</u>	<u>19,605</u>

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

The financial statements were approved by the board of directors on 21st June 2018 and were signed on its behalf by:


H Sagdahl

Director

Kongsberg Maritime Limited

Statement of changes in equity

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2016	2,773	17,886	20,659
Loss for the year	-	(54)	(54)
Total comprehensive loss for the year	-	(54)	(54)
Dividends paid	-	(1,000)	(1,000)
At 31 December 2016	2,773	16,832	19,605
Profit for the year	-	1,012	1,012
Total comprehensive profit for the year	-	1,012	1,012
Dividends paid	-	(7,083)	(7,083)
At 31 December 2017	2,773	10,761	13,534

Kongsberg Maritime Limited

Notes to the financial statements

for the year ended 31 December 2017

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Kongsberg Maritime Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 21st June 2018 and the balance sheet was signed on the board's behalf by H Sagdahl. The Company is incorporated and domiciled in Scotland.

These financial statements were prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's functional and presentation currency is Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 *Financial Instruments: Disclosures*
- b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- d) the requirements of IAS 7 *Statement of Cash Flows*;
- e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- f) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- g) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*,

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (continued)

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

Operating lease commitments

The Company has entered into commercial property leases and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

2.4 Significant accounting policies

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%

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.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

2 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 £460,159 (2016: £507,983). The outstanding pension contributions at 31 December 2017 were £57,981 (2016: £64,233).

3 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.

	2017 £ '000	2016 £ '000
Geographical analysis of turnover (by destination):		
- United Kingdom	19,136	16,887
- Rest of the world	10,455	10,392
	<u>29,591</u>	<u>27,279</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

4 OPERATING PROFIT / (LOSS)

	2017 £ '000	2016 £ '000
This is stated after charging/(crediting):		
Loss/(Profit) on foreign exchange	200	(368)
Rentals under operating leases:		
- Motor Vehicles	4	41
- Buildings	498	494
Depreciation of tangible fixed assets	1,307	1,384
Auditors remuneration (note 6)	<u>46</u>	<u>45</u>

5 AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows:

	2017 £ '000	2016 £ '000
Audit of the financial statements	32	28
Other fees to auditors		
- taxation services	<u>14</u>	<u>17</u>
	<u>46</u>	<u>45</u>

6 DIRECTORS' EMOLUMENTS

The directors' emoluments refers to the total salaries, other emoluments and benefits paid to directors of the company by the Kongsberg Group. The remuneration is borne by other group entities and not recharged to the company.

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

7 EMPLOYEE INFORMATION

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

	2017	2016
	Number	Number
By activity:		
- Management	17	17
- Administration	26	30
- Technical	75	83
	<u>118</u>	<u>130</u>
	2017	2016
	£ '000	£ '000
Staff costs (for the above persons):		
- Wages and salaries	6,381	7,625
- Social Security costs	720	831
- Pension costs	459	508
	<u>7,560</u>	<u>8,964</u>

8 INTEREST RECEIVABLE

	2017	2016
	£ '000	£ '000
Bank interest receivable	<u>-</u>	<u>672</u>

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

9 TAXATION

	2017	2016
(a) Tax charged in the Income Statement;	£ '000	£ '000
UK corporation tax		
UK corporation tax on profits of the year	(196)	-
Group relief payable	-	-
Adjustments in respect of previous periods	-	-
Total current tax	(196)	-
Deferred tax		
Originating and reversal of timing differences	-	-
Adjustment in respect of prior periods	-	-
Effect of changes in tax rate	-	-
Total Deferred tax	-	-
 Tax on profit on ordinary activities	 (196)	 -

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

10 TAXATION (continued)

(b) Reconciliation of the total tax charge	2017 £ '000	2016 £ '000
Profit/(Loss) on ordinary activities before taxation	<u>1,210</u>	<u>(54)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(233)	(11)
Effects of:		
Adjustments in respect of prior periods	-	-
Expenses not deductible	(24)	41
Income not taxable	-	-
Tax rate changes	-	-
Utilisation of tax losses	-	-
Rolled over gains	-	(30)
Amounts tax not recognised	<u>61</u>	<u>-</u>
Total tax charge for the period	<u>(196)</u>	<u>-</u>

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 reducing the main rate to 17% from 1 April 2020. As both changes were substantively enacted at the balance sheet date the effects are included in these financial statements.

Kongsberg Maritime Limited
Notes to the financial statements (continued)
for the year ended 31 December 2017

10 TAXATION (continued)	2017	2016
(c) Deferred Tax		
The deferred tax asset included in the balance sheet is as follows:	£ '000	£ '000
Included in debtors (note 13)	<u>-</u>	<u>-</u>
Decelerated capital allowances	-	-
Other timing differences	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
		2017
		£ '000
At 1 January 2017		-
Deferred tax credit in P&L		-
Adjustment in respect of prior period		<u>-</u>
		-

The company has an unrecognised deferred tax asset in respect of deductible temporary differences of £412k (2016: £145k). The deferred tax assets have not been recognised as there is not sufficient evidence to support suitable future taxable profits which the deferred tax assets could be set against.

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

11 TANGIBLE FIXED ASSETS

	Leasehold Property £ '000	Motor vehicles £ '000	Plant and Equipment £ '000	Total £ '000
Cost				
At 1 January 2017	2,237	52	18,442	20,731
Additions	3	-	983	986
Disposals	-	-	(788)	(788)
At 31 December 2017	2,240	52	18,637	20,929
Depreciation				
At 1 January 2017	1,691	35	14,864	16,590
Charge for the year	88	11	1,208	1,307
Disposals	-	-	(281)	(281)
At 31 December 2017	1,779	46	15,791	17,616
Net book value				
At 31 December 2017	461	6	2,846	3,313 ¹
At 31 December 2016	547	17	3,577	4,141

During the current and prior year the company disposed of a number of transponders. The gain of disposal was £236k (2016: £451k).

¹ Included within fixed assets are assets associated with the Camera division of Kongsberg Maritime Limited which was held for sale at the year end. The Camera division is considered to be a non-core business by the parent company in Norway. The sale is estimated to complete during the second half of 2018, following offers from interested parties.

At this point in time, the sale process is underway & it is not feasible to say whether a gain or loss on the sale will be made. The Camera division is not reported separately & is consolidated into KML.

12 STOCKS

	2017 £ '000	2016 £ '000
Raw materials	1,534	1,597
Work in progress	1,232	861
Finished goods	884	1,477
	3,650¹	3,935

Long-term contract balances included within work in progress at net cost less foreseeable losses, amounted to £247,000 (2016: £141,000).

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 2017

13 TRADE AND OTHER RECEIVABLES

	2017 £ '000	2016 £ '000
Amounts falling due within one year:		
Trade debtors	6,309	3,547
Amounts owed by group undertakings	1,581	2,746
Prepayments and accrued income	572	754
Corporation tax	-	254
	<u>8,463</u>	<u>7,301</u>

14 TRADE AND OTHER PAYABLES

	2017 £ '000	2016 £ '000
Trade creditors	1,237	172
Amounts owed to group undertakings	3,993	2,278
Other taxation and social security	142	291
Accruals and deferred income	1,535	1,768
Corporation Tax	196	-
	<u>7,103</u>	<u>4,509</u>

15 CALLED-UP SHARE CAPITAL

	2017 £ '000	2016 £ '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 CONTINGENT LIABILITY

HM Customs and Excise hold a deferred duty bond with a value of £1,000,000 (2016: 1,000,000).

Kongsberg Maritime Limited

Notes to the financial statements (continued)

for the year ended 31 December 2017

17 CAPITAL COMMITMENTS

	2017	2016
	£ '000	£ '000
Capital expenditure contracted for but not provided in the financial statements	<u>826</u>	<u>1,134</u>

18 OPERATING LEASE COMMITMENTS

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

	2017	2016
	£ '000	£ '000
Not later than one year	498	506
After one year but not more than five	1,982	1,983
After five years	<u>2,529</u>	<u>3,023</u>
	<u>5,009</u>	<u>5,512</u>

19 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.