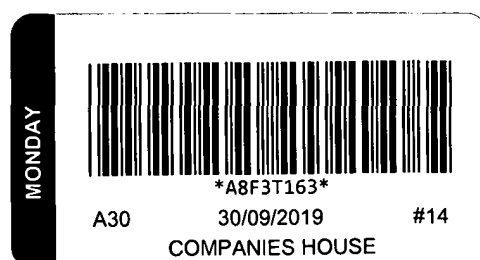


# **Kongsberg GeoAcoustics Limited**

## **Annual Report and Financial Statements**

31 December 2018

Registered No. 02571389



**Directors**

A Berg  
A Kvaerner  
S Tetlie

**Secretary**

M Murrell

**Auditor**

Ernst & Young LLP  
One Cambridge Business Park  
Cambridge CB4 0WZ

**Registered Office**

Shuttleworth Close  
Gapton Hall Industrial Estate  
Great Yarmouth  
Norfolk NR31 0NQ

## Strategic report

The directors present their Strategic Report for the year ended 31 December 2018.

### Principal activities and review of the business

The principal activities of the company continued to be that of the development, manufacturing and sales along with service and repair of seabed survey equipment.

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

|                             |             |             |
|-----------------------------|-------------|-------------|
|                             | <i>2018</i> | <i>2017</i> |
| Turnover                    | £3,114k     | £2,658k     |
| Gross profit margin         | 44.1%       | 50.8%       |
| Profit before tax           | £65k        | £156        |
| Average number of employees | 16          | 16          |


Turnover has increased by 17%. Whilst turnover has increased there was a shift in the product mix which led to reduced gross profit margin and profit before Tax

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Product obsolescence in a market where technological advances are constantly becoming available at more competitive prices. The company aims to manage this risk through its research and development activities
- Foreign exchange fluctuation in USD\$ and EUR€ due to current economic conditions. The company does not enter into forward exchange contracts and attempts to limit transactions in foreign exchange as far as possible
- The company is dependent on the continued support of its ultimate parent whilst it has net current liabilities
- Credit risk is the risk that customers fail to meet their obligations. The company's potential credit risk is primarily attributable to its trade receivables. This risk is minimised by strict customer acceptance and credit policies requiring proven payment history, along with regular monitoring and review of credit terms.
- Britain's withdrawal from the European Economic Union "Brexit" will remain unknown until after 31<sup>st</sup> October 2019

On behalf of the board



Sverre Tetlie  
Director

Date: 27 September 2019

Registered No. 02571389

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2018.

### **Results and dividends**

The profit for the year after taxation amounted to £59,720 (2017 – £127,617).  
The directors do not recommend a final dividend (2017 – £nil).

### **Future developments**

Following the restructure in 2016 the company has built on securing its position in the market with 2 years of profit and has continued in the same manner into 2019 with turnover for the first three quarters in excess of 2018 year total.

### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue to have sufficient funds to operate and to meet its liabilities and obligations for the foreseeable future. At the year end the company had net current liabilities of £79,604 (2017: net current liabilities of £236,147).

The company has received confirmation from Kongsberg Maritime AS (parent undertaking) that it will provide financial support to the company to assist it in meeting its liabilities as and when they become due, but only to the extent that money is not otherwise available to the company to meet such liabilities. Therefore, the directors have prepared the financial statements on a going concern basis.

### **Directors**

The directors who served the company during the year were as follows:

S Tetlie  
A Berg  
A Kvaerner

### **Directors' qualifying third party indemnity provisions**

The company has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

### **Disclosure of information to the auditor**

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

### **Auditor**

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

## Directors' report (continued)

On behalf of the board



Sverre Tetlie  
Director

Date: 27 September 2019

## 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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.

# Independent auditor's report

to the members of Kongsberg GeoAcoustics Limited

## Opinion

We have audited the financial statements of Kongsberg GeoAcoustics Limited for the year ended 31 December 2018 which comprise the Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 20, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 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.

# **Independent auditor's report (continued)**

**to the members of Kongsberg GeoAcoustics Limited**

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 5, 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.



## **Independent auditor's report (continued)**

**to the members of Kongsberg GeoAcoustics Limited**

### **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*

Rachel Wilden  
(Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge

Date: 30 September 2019

## Statement of Income

for the year ended 31 December 2018

|  | <i>Notes</i> | <i>2018</i>        | <i>2017</i>        |
|--|--------------|--------------------|--------------------|
|  |              | £                  | £                  |
| <b>Turnover</b>                                      | 2            | 3,114,430          | 2,658,048          |
| Cost of sales  |              | <u>(1,740,402)</u> | <u>(1,306,605)</u> |
| <b>Gross profit</b>                                  |              | 1,374,028          | 1,351,443          |
| Distribution costs                                   |              | (276,588)          | (283,450)          |
| Administrative expenses                              |              | (1,040,691)        | (918,257)          |
| Other operating income                               | 3            | <u>35,338</u>      | <u>26,702</u>      |
| <b>Operating profit</b>                              | 4            | 92,087             | 176,438            |
| Interest receivable                                  |              | 12                 | 456                |
| Interest payable                                     | 7            | <u>(27,336)</u>    | <u>(21,375)</u>    |
| <b>Profit on ordinary activities before taxation</b> |              | 64,763             | 155,519            |
| Tax  | 8            | <u>(5,043)</u>     | <u>(27,902)</u>    |
| <b>Profit/(loss) for the financial year</b>          |              | <u>59,720</u>      | <u>127,617</u>     |

All amounts relate to continuing activities.

## Statement of Comprehensive Income

for the year ended 31 December 2018

|   | <i>2018</i>   | <i>2017</i>    |
|---|---------------|----------------|
|   | £             | £              |
| Profit for the financial year                           | 59,720        | 127,617        |
| Exchange difference on retranslation of overseas branch | <u>2,141</u>  | <u>2,792</u>   |
| <b>Total comprehensive income for the year</b>          | <u>61,861</u> | <u>130,409</u> |

## Statement of Changes in Equity

for the year ended 31 December 2018

|  | <i>Share<br/>capital</i> | <i>Capital<br/>redemption<br/>reserve</i> | <i>Revaluation<br/>reserve</i> | <i>Profit and<br/>loss account</i> | <i>Total</i>     |
|--|--------------------------|---|--------------------------------|------------------------------------|------------------|
|  | £                        | £   | £                              | £                                  | £                |
| At 1 January 2017  | 730                      | 300                                       | 883,754                        | 81,096                             | 965,880          |
| Profit for the year  | -                        | -   | -                              | 127,617                            | 127,617          |
| Other movements – exchange<br>difference on retranslation of net<br>loss of branch | -                        | -   | -                              | 2,792                              | 2,792            |
| Total comprehensive income for<br>the year   | -                        | -   | -                              | 130,409                            | 130,409          |
| At 31 December 2017  | <u>730</u>               | <u>300</u>                                | <u>883,754</u>                 | <u>211,505</u>                     | <u>1,096,289</u> |
| Profit for the year  | -                        | -   | -                              | 59,720                             | 59,720           |
| Other movements – exchange<br>difference on retranslation of<br>overseas branch    | -                        | -   | -                              | 2,141                              | 2,141            |
| Total comprehensive income for<br>the year   | -                        | -   | -                              | 61,861                             | 61,861           |
| At 31 December 2018  | <u>730</u>               | <u>300</u>                                | <u>883,754</u>                 | <u>273,366</u>                     | <u>1,158,150</u> |

## Statement of Financial Position

at 31 December 2018

|   | <i>Notes</i> | <i>2018</i><br>£   | <i>2017</i><br>£   |
|---|--------------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |              |                    |                    |
| Intangible assets                                     | 9            | 5                  | 5                  |
| Tangible assets                                       | 10           | 1,359,177          | 1,365,027          |
|   |              | <u>1,359,182</u>   | <u>1,365,032</u>   |
| <b>Current assets</b>                                 |              |                    |                    |
| Stocks  | 11           | 1,397,910          | 539,415            |
| Debtors   | 12           | 1,065,138          | 689,957            |
| Cash at bank and in hand                              |              | 1,251              | 832                |
|   |              | <u>2,464,299</u>   | <u>1,230,204</u>   |
| <b>Creditors: amounts falling due within one year</b> | 13           | <u>(2,543,904)</u> | <u>(1,466,351)</u> |
| <b>Net current liabilities</b>                        |              | <u>(79,605)</u>    | <u>(236,147)</u>   |
| <b>Total assets less current liabilities</b>          |              | 1,279,577          | 1,128,885          |
| <b>Provisions for liabilities</b>                     | 14           | <u>(121,427)</u>   | <u>(32,596)</u>    |
| <b>Net assets</b>                                     |              | <u>1,158,150</u>   | <u>1,096,289</u>   |
| <b>Capital and reserves</b>                           |              |                    |                    |
| Called up share capital                               | 15           | 730                | 730                |
| Revaluation reserve                                   | 16           | 883,754            | 883,754            |
| Capital redemption reserve                            | 16           | 300                | 300                |
| Profit and loss account                               | 16           | <u>273,366</u>     | <u>211,505</u>     |
| <b>Shareholders' funds</b>                            |              | <u>1,158,150</u>   | <u>1,096,289</u>   |

Approved and signed on behalf of the Board.



Sverre Tetlie

Date: 27 September 2019

## Notes to the financial statements

at 31 December 2018

### 1. Accounting policies

#### **Statement of compliance**

Kongsberg GeoAcoustics Limited is a limited liability company incorporated in England. The Registered Office is Shuttleworth Close, Gapton Hall Industrial Estate, Great Yarmouth, Norfolk, NR31 0NQ.

The financial statements are prepared in compliance with FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' as it applies to the financial statements for the year ended 31 December 2018.

#### **Basis of preparation**

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The company have taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

- (a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- (b) The requirements of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c).
- (c) The requirements of Section 12 Other Financial Instruments Issues paragraphs 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A.
- (d) The requirement of Section 33 Related Party Disclosures paragraph 33.7 disclosure of key management personnel compensation.

#### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue to have sufficient funds to operate and to meet its liabilities and obligations for the foreseeable future. At the year end the company had net current liabilities of £87,951 (2017: net current liabilities of £236,147).

The company has received confirmation from Kongsberg Maritime AS (parent undertaking) that it will provide financial support to the company to assist it in meeting its liabilities as and when they become due, but only to the extent that money is not otherwise available to the company to meet such liabilities. Therefore, the directors have prepared the financial statements on a going concern basis.

#### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position 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 judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

#### **Deferred tax**

The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

## Notes to the financial statements

at 31 December 2018

### 1. Accounting policies (continued)

#### *Provisions*

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### *Warranty provision*

A provision for the expected cost of repairs under guarantees is charged against profits when the sale of goods to which the guarantees relates, is recognised. When calculating the provision the directors consider the previous history of claims under such guarantees, the length of the guarantee period and the costs and rates of return, and apply these to the goods still covered under guarantee at the year end.

#### *Inventory obsolescence*

Inventory provisions include obsolescence and write-downs which take into account historical information related to sales trends and stock counts and represent the expected write-down between the estimated net realisable value and the original cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Significant accounting policies**

##### **Group financial statements**

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

##### **Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Interest income**

Revenue is recognised as interest accrues using the effective interest method.

##### **Dividends**

Revenue is recognised when the company's right to receive payment is established.

## Notes to the financial statements

at 31 December 2018

### 1. Accounting policies (continued)

#### *Intangible assets*

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Patents-5 years

Intellectual property –10 years

Software –3-5 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

#### *Impairment of non-financial assets*

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

#### *Investment property*

Investment property is accounted for as follows:

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

Investment properties whose fair value can be measured reliably are measured at fair value. Changes in fair value are recognised in the statement of income.

## Notes to the financial statements

at 31 December 2018

### **Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

|                                   |   |          |
|-----------------------------------|---|----------|
| Freehold buildings                | – | 50 years |
| Plant and machinery               | – | 5 years  |
| Motor vehicles                    | – | 4 years  |
| Furniture, fixtures and equipment | – | 5 years  |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### **Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale – purchase cost on a first-in, first-out basis

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### **Research and development**

Research and development expenditure is written off to the statement of income as incurred.

### **Provisions for liabilities**

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.



## Notes to the financial statements

at 31 December 2018

### 1. Accounting policies (continued)

#### **Deferred tax**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful life. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of income so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the statement of income on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

#### **Company as a lessor**

Investment property leased out under operating leases is included in property, plant and equipment and measured at fair value. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

#### **Pensions and other post-retirement benefits**

Contributions to defined contribution schemes are recognised in the statement of income in the period in which they become payable.

## Notes to the financial statements

at 31 December 2018

### 2. Turnover

An analysis of turnover by geographical market is given below:

|                     | 2018             | 2017             |
|---------------------|------------------|------------------|
|                     | £                | £                |
| United Kingdom      | 780,189          | 907,436          |
| Rest of Europe      | 1,127,791        | 667,763          |
| Americas and Canada | 196,618          | 471,084          |
| Middle East         | 107,115          | 97,487           |
| Asia                | 823,719          | 509,284          |
| Africa and India    | 77,648           | 1,149            |
| Rest of world       | 1,350            | 3,845            |
|                     | <u>3,114,430</u> | <u>2,658,048</u> |

### 3. Other operating income

|                            | 2018          | 2017          |
|----------------------------|---------------|---------------|
|                            | £             | £             |
| Other income – RDEC credit | 26,377        | 18,000        |
| Net rents receivable       | 8,961         | 8,702         |
|                            | <u>35,338</u> | <u>26,702</u> |

### 4. Operating profit

This is stated after charging/(crediting):

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | £            | £            |
| Auditor's remuneration for audit of the financial statements | 20,321       | 14,850       |
| Depreciation of tangible fixed assets – owned by the company | 127,449      | 141,626      |
| Amortisation of intellectual property                        | -            | 20,988       |
| Difference on foreign exchange                               | 6,542        | 4,327        |
| Research and development expenditure                         | 244,356      | 187,777      |
| Fair value movement of investment property                   | -            | (15,000)     |
| Loss/(gain) on disposal of fixed assets                      | -            | 118          |
| Operating lease rentals – other operating leases             | 4,504        | 5,041        |
|  | <u>4,504</u> | <u>5,041</u> |

## Notes to the financial statements

at 31 December 2018

### 5. Directors' remuneration

During the year, no director received any remuneration from the company (2017 – £nil). Other group companies paid remuneration amounting to £6,000 (2017 – £6,000) to the directors of the company in respect of qualifying services. No director was a member of a defined contribution or defined benefit pension scheme to which the company contributes in either the current or prior year. Nor did any director receive any shares for qualifying services or exercise any share options in the current or prior year.

### 6. Staff costs

|                       | 2018           | 2017           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 720,192        | 659,257        |
| Social security costs | 84,083         | 71,955         |
| Other pension costs   | 30,515         | 25,260         |
| Termination costs     | -              | 6,771          |
|                       | <u>834,790</u> | <u>763,243</u> |

The average monthly number of employees during the year was made up as follows:

|   | <i>No.</i> | <i>No.</i> |
|---|------------|------------|
| Production and engineering (including research and development) | 11         | 10         |
| Marketing and sales   | 2          | 3          |
| Management and administration                                   | 3          | 3          |
|   | <u>16</u>  | <u>16</u>  |

### 7. Interest payable

|                              | 2018          | 2017          |
|------------------------------|---------------|---------------|
|                              | £             | £             |
| On bank loans and overdrafts | <u>27,336</u> | <u>21,375</u> |

## Notes to the financial statements

at 31 December 2018

### 8. Tax

(a) Tax on profit on ordinary activities

|   | 2018         | 2017          |
|---|--------------|---------------|
|   | £            | £             |
| <b>Current tax:</b>                                     |              |               |
| UK corporation tax on the profit/(loss) for the year    | 3,800        | 3,465         |
| Adjustments in respect of prior years                   | 1,243        | 24,437        |
| Total current tax                                       | <u>5,043</u> | <u>27,902</u> |
| <b>Deferred tax:</b>                                    |              |               |
| Origination and reversal of timing differences          | -            | -             |
| Tax losses (carried forward)/utilised                   | -            | -             |
| Deferred tax asset not recognised                       | -            | -             |
| Impact of rate change                                   | -            | -             |
| Adjustments in respect of prior year                    | -            | -             |
| Total deferred tax (note 8(c))                          | <u>-</u>     | <u>-</u>      |
| Tax on profit/(loss) on ordinary activities (note 8(b)) | <u>5,043</u> | <u>27,902</u> |

(b) Factors affecting the total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are explained below:

|  | 2018          | 2017           |
|--|---------------|----------------|
|  | £             | £              |
| Profit on ordinary activities before tax   | <u>64,763</u> | <u>155,519</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%) | 12,305        | 29,937         |
| <i>Effects of:</i>   |               |                |
| (Income)/expenses not deductible for tax purposes, other than goodwill amortisation and impairment               | 1,900         | (900)          |
| Deferred tax asset not recognised  | (10,405)      | (25,572)       |
| Adjustments to tax charge in respect of prior periods – current tax  | 1,243         | 24,437         |
| Total tax charge   | <u>5,043</u>  | <u>27,902</u>  |

## Notes to the financial statements

at 31 December 2018

### 8. Tax (continued)

(c) Deferred tax (asset)/liability

|   |   |
|---|---|
|   | £ |
| At 1 January 2018                             | - |
| Profit and loss account credit – current year | - |
| At 31 December 2018                           | - |

The deferred tax (asset)/liability is made up as follows:

|  | 2018     | 2017     |
|--|----------|----------|
|  | £        | £        |
| On revalued property                         | 96,801   | 109,129  |
| (Decelerated)/accelerated capital allowances | (42,288) | (49,411) |
| Short term timing differences                | 2,776    | 5,601    |
| Tax losses carried forward                   | (57,289) | (65,319) |
|  | -        | -        |

There is an unrecognised deferred tax asset of £453,767 (2017: £464,137) in respect of tax losses at the year end. The asset has not been recognised due to uncertainty over recoverability.

(d) Factors that may affect future tax charges

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. Therefore the standard rate of corporation tax for the year ended 31 December 2018 is 19% (2017: 19.25%).

Subsequently the Finance Act 2016 which was substantively enacted on 15 September 2016 included further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020. Deferred tax balances are calculated at 17% (2017: 17%).

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the company.

## Notes to the financial statements

at 31 December 2018

### 9. Intangible fixed assets

|                     | <i>Patents and<br/>trademarks</i> | <i>Intellectual<br/>property</i> | <i>Software</i> | <i>Total</i> |
|---------------------|-----------------------------------|----------------------------------|-----------------|--------------|
|                     | £                                 | £                                | £               | £            |
| Cost:               |                                   |                                  |                 |              |
| At 1 January 2018   | 30,327                            | 760,261                          | 16,158          | 806,746      |
| Additions           | -                                 | -                                | -               | -            |
| At 31 December 2018 | 30,327                            | 760,261                          | 16,158          | 806,746      |
| Amortisation:       |                                   |                                  |                 |              |
| At 1 January 2018   | 30,326                            | 760,261                          | 16,154          | 806,741      |
| Charge for the year | -                                 | -                                | -               | -            |
| At 31 December 2018 | 30,326                            | 760,261                          | 16,154          | 806,741      |
| Net book value:     |                                   |                                  |                 |              |
| At 31 December 2018 | 1                                 | -                                | 4               | 5            |
| At 1 January 2018   | 1                                 | -                                | 4               | 5            |

### 10. Tangible fixed assets

|                     | <i>Investment<br/>property</i> | <i>Land and<br/>buildings</i> | <i>Plant and<br/>machinery</i> | <i>Motor<br/>vehicles</i> | <i>Furniture,<br/>fittings and<br/>equipment</i> | <i>Total</i> |
|---------------------|--------------------------------|-------------------------------|--------------------------------|---------------------------|--|--------------|
|                     | £                              | £                             | £                              | £                         | £  | £            |
| Cost :              |                                |                               |                                |                           |  |              |
| At 1 January 2018   | 90,000                         | 1,175,000                     | 999,433                        | 9,995                     | 238,890  | 2,513,318    |
| Additions           | -                              | -                             | 109,535                        | -                         | 12,064   | 121,599      |
| Disposals           | -                              | -                             | -                              | -                         | -  | -            |
| Fair value movement | -                              | -                             | -                              | -                         | -  | -            |
| At 31 December 2018 | 90,000                         | 1,175,000                     | 1,108,968                      | 9,995                     | 250,954  | 2,634,917    |
| Depreciation:       | -                              |                               |                                |                           |  |              |
| At 1 January 2018   | -                              | 96,012                        | 780,418                        | 9,993                     | 218,424  | 1,104,847    |
| Charge for the year | -                              | 23,500                        | 94,607                         | -                         | 9,342  | 127,449      |
| On disposals        | -                              | -                             | -                              | -                         | -  | -            |
| At 31 December 2018 | -                              | 119,512                       | 875,025                        | 9,993                     | 227,766  | 1,232,296    |
| Impairment:         |                                |                               |                                |                           |  |              |
| At 1 January 2018   | -                              | -                             | 43,444                         | -                         | -  | 43,444       |
| Charge for the year | -                              | -                             | -                              | -                         | -  | -            |
| At 31 December 2018 | -                              | -                             | 43,444                         | -                         | -  | 43,444       |
| Net book value      |                                |                               |                                |                           |  |              |
| At 31 December 2018 | 90,000                         | 1,055,488                     | 190,499                        | 2                         | 23,188   | 1,359,177    |
| At 1 January 2018   | 90,000                         | 1,078,988                     | 175,571                        | 2                         | 20,466   | 1,365,027    |

The fair value of the investment property has been determined using were a valuation on 15 July 2016 by Arnolds Keys Chartered Surveyors which was completed on an open market existing use basis.

## Notes to the financial statements

at 31 December 2018

### 11. Stocks

|                               | 2018             | 2017           |
|-------------------------------|------------------|----------------|
|                               | £                | £              |
| Raw materials and consumables | 297,457          | 125,753        |
| Work in progress              | 1,100,453        | 413,662        |
|                               | <u>1,397,910</u> | <u>539,415</u> |

Stocks recognised as an expense in the year amounted to £1,492,664 (2017 - £1,089,927).

### 12. Debtors

|  | 2018             | 2017           |
|--|------------------|----------------|
|  | £                | £              |
| Trade debtors                                | 345,324          | 281,398        |
| Amounts owed by group undertakings           | 522,924          | 223,814        |
| Other debtors                                | 4,121            | 363            |
| Prepayments and accrued income               | 35,401           | 34,301         |
| VAT  | 93,028           | 63,083         |
| Corporation tax – (including R&D tax credit) | 64,340           | 86,998         |
|  | <u>1,065,138</u> | <u>689,957</u> |

### 13. Creditors: amounts falling due within one year

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | £                | £                |
| Trade creditors                                | 278,445          | 218,478          |
| Amounts owed to Parent undertaking - cash pool | 1,657,842        | 1,030,498        |
| Amounts owed to group undertakings             | 182,096          | 23,336           |
| Other taxes and social security costs          | 30,511           | 23,572           |
| Payments received on account                   | 274,324          | -                |
| Other creditors                                | 22,727           | 23,684           |
| Accruals and deferred income                   | 97,959           | 146,783          |
|  | <u>2,543,904</u> | <u>1,466,351</u> |

## Notes to the financial statements

at 31 December 2018

### 14. Provisions for liabilities

|  | <i>Warranty</i> | <i>Total</i>    |
|--|-----------------|-----------------|
|  | £               | £               |
| At 1 January 2018  | 32,597          | 28,360          |
| Charge for the year  | 50,830          | 38,147          |
| Contribution by group company to future TOPAS warranty costs | 91,330          | -               |
| Utilised during the year                                     | <u>(53,330)</u> | <u>(33,911)</u> |
| At 31 December 2018  | <u>121,427</u>  | <u>32,596</u>   |

A provision is recognised for expected warranty claims based on products sold during the last twenty four months. It is expected that most of these costs will be incurred in the next two financial years and all will have been incurred within three years of the balance sheet date. With the transfer of the TOPAS business from KDA, part of the settlement was a contribution from KDA of £91,330 towards future warranty costs related to sales in previous years by KDA.

### 15. Issued share capital

|   | <i>2018</i> |            | <i>2017</i> |            |
|---|-------------|------------|-------------|------------|
| <i>Allotted, called up and fully paid</i> | <i>No.</i>  | £          | <i>No.</i>  | £          |
| Ordinary shares of £1 each                | 730         | <u>730</u> | 730         | <u>730</u> |

### 16. Reserves

#### *Revaluation reserve*

This reserve represents upward revaluation of the company premises offset by depreciation on the revalued amount.

#### *Capital redemption reserve*

This reserve records the nominal value of shares repurchased by the company.

#### *Profit and loss account*

This reserve includes all current and prior year profits and losses, less any dividends paid.

### 17. Pensions

The company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. During the year contributions payable amounted to £30,515 (2017 – £25,260). The unpaid contributions outstanding at the period end included in accruals amounted to £3,668 (2017 – £2,375).



## Notes to the financial statements

at 31 December 2018

### 18. Other financial commitments

#### *Guarantees and other commitments*

The Company has in place a guarantee from Deutsche Bank for £4,000 (2017: £4,000 with Deutsche Bank).

At 31 December 2018 the company had minimum lease payments (under non-cancellable operating leases) as follows:

|                      | <i>2018</i>   | <i>2017</i>   |
|----------------------|---------------|---------------|
|                      | <i>Other</i>  | <i>Other</i>  |
|                      | <i>£</i>      | <i>£</i>      |
| Within one year      | 4,176         | 3,910         |
| In two to five years | 10,374        | 13,725        |
|                      | <u>14,550</u> | <u>17,635</u> |

### 19. Contingent liability

The Kongsberg Maritime Holdings Limited group entered into an arrangement with the group's bankers whereby cross-guarantees have been granted to enable balances in credit to be offset against overdrawn balances. Any resulting balance is secured by a floating charged over the whole of the UK group's assets. The group cross guarantee facility was £1,000,000 (2017: £1,000,000).

### 20. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Kongsberg Maritime Holdings Limited, a company registered in the United Kingdom.

The company's ultimate parent undertaking and controlling party is Kongsberg Gruppen ASA, a company registered in Norway. The company's results are included in the consolidated financial statements of Kongsberg Gruppen ASA and copies of these financial statements may be obtained from its registered address which is Kirkegårdsveien 45, P.O. Box 1000, 3601, Kongsberg, Norway. This is the smallest and largest group within which the company's results are consolidated.