

**SIMRAD OPTRONICS LIMITED**

**Report and Financial Statements**

**31 December 2003**

**Deloitte & Touche LLP**  
**Crawley**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**REPORT AND FINANCIAL STATEMENTS 2003**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Tore Amundsen	(Chairman)	Norwegian
Peter Gick	(Managing Director)	

**SECRETARY**

Erik Tomas Ellingsaeter

**REGISTERED OFFICE**

3 Meadowbrook Industrial Estate  
Maxwell Way  
Crawley  
West Sussex RH10 9SA

**PARENT COMPANY**

Simrad Optronics ASA  
P O Box 6114  
Etterstad  
0602 Oslo  
Norway

**ULTIMATE PARENT COMPANY**

Technor ASA  
Dusavikvn 39  
P O Box 658  
N-4003 Stavanger  
Norway

**BANKERS**

Nordea Bank Finland Plc  
London Branch  
8<sup>th</sup> Floor, City Place House  
55 Basinghall Street  
London EC2V 5NB

**SOLICITORS**

Stevens Drake

**INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Crawley

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### **ACTIVITIES**

The company sells electro-optical equipment primarily for military purposes which is manufactured by Simrad Optronics ASA, the company's parent company.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company has benefited from the current political climate where there has been an increase in the demand for security related products. This has resulted in increased sales of Night Vision products to government law enforcement agencies.

With the imminent availability of demonstration equipment for the new LP10 and IS2000 laser products, the company sales and marketing activities will be focused on conducting trials and demonstrations of these products to overseas customers.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 5. The position at year end is set out on page 7.

The directors do not recommend the payment of a dividend (2002 - £nil).

### **DIRECTORS AND THEIR INTERESTS**

The names of the directors who served throughout the year are as detailed on page 1.

None of the directors has a beneficial interest in the shares of Simrad Optronics Limited.

As the company is a wholly owned subsidiary of a body incorporated outside the UK, the directors are not required to disclose their interests in that or any other body incorporated outside the UK.

There are no contracts of any significance in which any director of the company had a material interest.

### **AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



P Gick  
Director

28 June 2004

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMRAD OPTRONICS LIMITED**

We have audited the financial statements of Simrad Optronics Limited for the year ended 31 December 2003 which comprise the profit and loss account, the combined reconciliation of movements in shareholders' funds and statement of movements on reserves, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

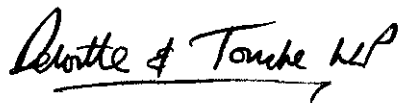
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Crawley

30 June 2004

**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2003**

	<b>Note</b>	<b>2003 £</b>	<b>2002 £</b>
<b>TURNOVER</b>	6	1,388,126	1,275,537
Cost of sales		<u>(643,170)</u>	<u>(571,162)</u>
Gross profit		744,956	704,375
Administrative expenses		<u>(712,740)</u>	<u>(615,263)</u>
<b>OPERATING PROFIT</b>		32,216	89,112
Interest receivable and similar income	3	700	599
Interest payable and similar charges	4	<u>(5,852)</u>	<u>(12,374)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	27,064	77,337
Tax on profit on ordinary activities	7	<u>-</u>	<u>(17)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>27,064</u></u>	<u><u>77,320</u></u>

All the results derive from continuing operations.

There are no further recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account, accordingly a statement of total recognised gains and losses is not presented.

**COMBINED RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS'  
FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**  
Year ended 31 December 2003

	Share capital £	Profit and loss account £	2003 Total £	2002 Total £
At beginning of the year	10,000	119,295	129,295	51,975
Retained profit for the financial year	-	27,064	27,064	77,320
At end of the year	<u>10,000</u>	<u>146,359</u>	<u>156,359</u>	<u>129,295</u>



**BALANCE SHEET**  
**31 December 2003**

	Note	£	2003 £	£	2002 £
<b>FIXED ASSETS</b>					
Tangible assets	8		88,627		109,942
<b>CURRENT ASSETS</b>					
Debtors	9	120,504		389,149	
Cash at bank and in hand		6,122		45,540	
		<u>126,626</u>		<u>434,689</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(58,894)</u>		<u>(415,336)</u>	
<b>NET CURRENT ASSETS</b>			<u>67,732</u>		<u>19,353</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>156,359</u>		<u>129,295</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		10,000		10,000
Profit and loss account			<u>146,359</u>		<u>119,295</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>156,359</u>		<u>129,295</u>

These financial statements were approved by the Board of Directors on *15 June* 2004.

Signed on behalf of the Board of Directors



P Gick  
Director

## NOTES TO THE ACCOUNTS

### Year ended 31 December 2003

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	-	10%
Motor vehicles	-	33 1/3%
Office equipment, fixtures & fittings	-	10% - 33 1/3%
Computer equipment	-	33 1/3%
Other equipment (including demonstration stock)	-	20%

A full year's charge is made in the year of acquisition and no charge is made in the year of disposal.

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and appropriate production overheads.

##### Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

##### Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates at that date. These differences on foreign exchange, realised and unrealised are dealt with in the profit and loss account.

##### Pension costs

Retirement benefits are funded by contributions from the company and its employees. These payments are made to an independent insurance company on a defined contribution basis. Pension contributions are charged to the profit and loss account in the year to which they relate.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Directors' emoluments:</b>		
Aggregate directors' emoluments	<u>64,236</u>	<u>67,023</u>
Aggregate of contributions paid to money purchase pension scheme	<u>14,427</u>	<u>12,215</u>
	<b>No.</b>	<b>No.</b>
Number of directors who are members of a money purchase pension scheme	<u>1</u>	<u>1</u>
<b>Employees:</b>		
Average number of persons employed:		
Selling, marketing and technical	4	3
Administration	<u>3</u>	<u>3</u>
	<u>7</u>	<u>6</u>
	<b>£</b>	<b>£</b>
<b>Staff costs incurred during the year in respect of these employees (including directors) were:</b>		
Wages and salaries	246,099	187,913
Social security costs	29,512	23,298
Pension costs	<u>14,427</u>	<u>12,215</u>
	<u>290,038</u>	<u>223,426</u>

There were no material amounts outstanding in respect of the pension fund as at the year end or last year end.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Bank deposit interest	<u>700</u>	<u>599</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Bank interest and charges	5,781	11,865
Interest on finance leases	<u>71</u>	<u>509</u>
	<u>5,852</u>	<u>12,374</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2003 £	2002 £
<b>Profit on ordinary activities before taxation is after charging/(crediting):</b>		
Rentals under operating leases - other	65,168	56,920
Depreciation of tangible fixed assets:		
Owned assets	38,620	36,870
Assets held under finance leases	-	11,266
Profit on disposal of tangible fixed assets	(9,787)	-
Auditors' remuneration - audit services	8,400	8,200
- other	3,850	13,300
	<u>          </u>	<u>          </u>

**6. TURNOVER AND PROFITS**

Turnover and profits are attributable to the one principal activity of the company and represent the invoice value, excluding VAT, of goods supplied and services provided in the year.

**Geographical analysis of turnover:**

In the opinion of the directors, disclosure of turnover by geographical area would be seriously prejudicial to the interest of the company and therefore has been excluded.

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**i) Analysis of tax charge on ordinary activities**

	2003 £	2002 £
United Kingdom corporation tax at 30% (2002 - 30%)	-	17
Deferred tax	-	17
Timing differences	-	47,282
Adjustments in respect of prior periods	-	(47,282)
	<u>          </u>	<u>          </u>
	-	17
	<u>          </u>	<u>          </u>

**ii) Factors affecting tax charge for the current year**

The tax charge assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK at 30% (2002 - 30%).

	2003 %	2002 %
Standard tax rate for period as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	15	3
Capital allowances in excess of depreciation	1	16
Marginal relief	(1)	-
Utilisation of tax losses	(45)	(49)
	<u>          </u>	<u>          </u>
Current tax charge for period	-	-
	<u>          </u>	<u>          </u>

# NOTES TO THE ACCOUNTS

## Year ended 31 December 2003

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### iii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances and trading losses as there is insufficient evidence that the asset will be recognised. The amount of the asset not recognised is £113,000. The asset would be recovered if the company makes sufficient profits in the future to offset these against.

### 8. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Motor vehicles £	Office equipment, fixtures & fittings £	Computer equipment £	Other equipment £	Total £
<b>Cost</b>						
At 1 January 2003	189,995	35,805	99,380	121,534	232,756	679,470
Additions	-	-	-	7,176	10,129	17,305
Disposals	-	(35,805)	-	-	-	(35,805)
At 31 December 2003	189,995	-	99,380	128,710	242,885	660,970
<b>Accumulated depreciation</b>						
At 1 January 2003	113,997	35,805	86,521	108,395	224,810	569,528
Charge for the year	19,000	-	4,031	9,978	5,611	38,620
Disposals	-	(35,805)	-	-	-	(35,805)
At 31 December 2003	132,997	-	90,552	118,373	230,421	572,343
<b>Net book value</b>						
At 31 December 2003	56,998	-	8,828	10,337	12,464	88,627
At 31 December 2002	75,998	-	12,859	13,134	7,946	109,942

### 9. DEBTORS

	2003 £	2002 £
Trade debtors	7,040	243,320
Amounts owed by group undertakings	67,505	-
Other debtors	14,375	53,926
Prepayments and accrued income	31,582	91,903
	120,502	389,149

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Obligations under finance leases	-	16,418
Trade creditors	10,701	58,356
Amounts owed to immediate parent company	-	273,100
Corporation tax	-	17
Other taxes and social security	8,365	7,320
Accruals and deferred income	39,828	60,125
	<u>58,894</u>	<u>415,336</u>

**11. CALLED UP SHARE CAPITAL**

	2003 £	2002 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up, and fully paid</b>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**12. OPERATING LEASE COMMITMENTS**

At 31 December 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings</b>		<b>Other</b>	<b>Other</b>
	2003 £	2002 £	2003 £	2002 £
<b>Leases which expire:</b>				
Within one year	-	-	1,681	2,802
Within two to five years	-	-	5,136	-
After five years	58,500	58,500	-	245
	<u>58,500</u>	<u>58,500</u>	<u>6,817</u>	<u>3,047</u>

**13. CONTINGENT LIABILITIES**

	2003 £	2002 £
Performance bond guarantees	53,510	130,584
HMCE guarantee	100,000	100,000
	<u>153,510</u>	<u>230,584</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**14. PARENT COMPANY, ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY**

Simrad Optronics Limited is registered in England and Wales and is a wholly owned subsidiary of a Norwegian company, Simrad Optronics ASA. Simrad Optronics ASA is owned by Technor ASA another Norwegian company, which is therefore the ultimate parent company and controlling entity of both Simrad Companies. Consolidated accounts are available at Companies House, Norway at Brønnøysund.

**15. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS8 extended to subsidiary undertakings 90% or more of whose voting rights are controlled within a group, where the consolidated financial statements of the group are publicly available. Accordingly no disclosure has been made of transactions with entities that are part of the group, or investees, or investees of the group qualifying as related parties.