TRIMBLE NAVIGATION LTD /CA/
Form 10-K/A
March 25, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No.1

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 2, 2004

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________to______________

Commission File Number: 0-18645

TRIMBLE NAVIGATION LIMITED
(Exact name of Registrant as specified in its charter)

California 94-2802192
(State or other jurisdiction of incorporation or organization)
(I.R.S. Employer Identification No.)

749 North Mary Avenue, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 481-8000

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock
Preferred Share Purchase Rights
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the Nasdaq National Market on July 3, 2003 was approximately $795 million.

There were 50,537,119 shares of the registrant's Common Stock issued and outstanding as of March 11, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of Trimble Navigation Limited's Proxy Statement relating to the annual meeting of stockholders to be held on May 19, 2004 (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY NOTE

This Amendment No.1 to Trimble Navigation Limited's Annual Report on Form 10-K for the year ended January 2, 2004 (the "Original Form 10-K") is being filed solely to change the date of the Report of Ernst & Young LLP, Independent Auditors from March 11, 2004, which was reported in error, to January 23, 2004. In all other respects, the text of Item 8 and the remainder of the Original Form 10-K is unchanged.

This Amendment No. 1 continues to reflect circumstances as of the date of the Original Form 10-K and does not reflect events occurring after the filing of the Original Form 10-K or modify or update those disclosures in any way.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

As at (in thousands)	January 2, 2004
ASSETS	
Current assets:	
Cash and cash equivalents	$ 45,416
Accounts receivable, less allowance for doubtful accounts of $9,953 and $9,900, respectively	103,350
Inventories, net	70,826
Deferred income taxes	4,380
Other current assets	5,659
Total current assets	229,631
Property and equipment, at cost less accumulated depreciation	27,379
Goodwill	241,425
Other purchased intangible assets, less accumulated amortization	19,741
Deferred income taxes	4,173

Other assets	22,554
Total non-current assets	315,272
Total assets	$ 544,903
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Bank and other short-term borrowings	$ -
Current portion of long-term debt	12,885
Accounts payable	26,019
Accrued compensation and benefits	25,950
Accrued liabilities	15,599
Accrued warranty expense	5,147
Deferred income taxes	1,136
Income taxes payable	9,969
Total current liabilities	96,705
Non-current portion of long-term debt	77,601
Deferred gain on joint venture	9,845
Deferred income tax	4,229
Other non-current liabilities	8,279
Total liabilities	196,659
Commitments and Contingencies	
Shareholders' equity:	
Preferred stock no par value; 3,000 shares authorized; none outstanding	-
Common stock, no par value; 90,000 shares authorized; 49,988, and 43,965 shares outstanding, respectively	303,015
Retained earnings (accumulated deficit)	14,990
Accumulated other comprehensive income (loss)	30,239
Total shareholders' equity	348,244
Total liabilities and shareholders' equity	$ 544,903

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended	January 2, 2004	January 3, 2003	Decem 2
(in thousands, except per share data)			
Revenue (1)	$ 540,903	$ 466,602	$ 47
Cost of revenue	272,873	232,170	23
Gross margin	268,030	234,432	23
Operating expenses			
Research and development	67,641	61,232	6

Sales and marketing	97,870	89,344	10
General and administrative	39,253	40,634	3
Restructuring charges	2,019	1,099	
Amortization of purchased intangible assets and goodwill	7,312	8,300	2
Total operating expenses	214,095	200,609	23
Operating income from continuing operations	53,935	33,823	
Non-operating income (expense), net			
Interest income	465	659	
Interest expense	(11,938)	(14,710)	(22
Foreign currency transaction loss, net	(592)	(823)	
Expenses for affiliated operations, net	(6,403)	(3,954)	
Other income (expense), net	118	(1,171)	
Total non-operating expense, net	(18,350)	(19,999)	(21
Income (loss) before income taxes from continuing operations	35,585	13,824	(21
Income tax provision (benefit)	(2,900)	3,500	
Income (loss) from continuing operations	38,485	10,324	(23
Gain on disposal of discontinued operations (net of tax)	-	-	
Net income (loss)	$ 38,485	$ 10,324	$ (22
Basic earnings (loss) per share from continuing operations	$ 0.81	$ 0.24	$ (
Basic earnings per share from discontinued operations	-		
Basic earnings (loss) per share	$ 0.81	$ 0.24	$ (
Shares used in calculating basic earnings per share	47,505	42,860	3
Diluted earnings (loss) per share from continuing operations	$ 0.77	$ 0.24	$ (
Diluted earnings per share from discontinued operations	-	-	
Diluted earnings (loss) per share	$ 0.77	$ 0.24	$ (
Shares used in calculating diluted earnings per share	50,012	43,578	3

(1) Includes sales to related parties of $4.0 million for fiscal 2003. None in fiscal 2001 and 2002.

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common stock and warrants			Accumulati
	Shares	Amount	Retained Earnings (Deficit)	Other Comprehensi Income/(Lo
(in thousands)				

Balance at December 29, 2000	36,243	$154,846	$(10,940)	$(8,963
Components of comprehensive income (loss):				
Net loss			(22,879)	
Loss on interest rate swap				(203
Unrealized gain on investments				1
Foreign currency translation adjustments				(9,766
Comprehensive loss				
Subtotal				
Issuance of stock under employee plans and exercise of warrants	1,376	11,344		
Issuance of stock in private placement	2,675	25,034		
Balance at December 28, 2001	40,294	191,224	(33,819)	(18,916
Components of comprehensive income (loss):				
Net income			10,324	
Gain on interest rate swap				21
Unrealized loss on investments				(17
Foreign currency translation adjustments				17,69
Comprehensive income				
Subtotal				
Issuance of stock for acquisition	1,190	12,033		
Issuance of stock under employee plans exercise of warrants	561	4,091		
Issuance of warrants		1,528		
Issuance of stock in private placement	1,920	16,996		
Balance at January 3, 2003	43,965	225,872	(23,495)	(1,026
Components of comprehensive income (loss):				
Net income			38,485	
Gain on interest rate swap				(7
Unrealized gain on investments				7
Foreign currency translation adjustments				31,19
Comprehensive income				
Subtotal				
Issuance of stock for acquisition	825	18,524		
Issuance of stock for Joint Venture with Nikon	350	5,922		
Issuance of stock under employee plans and exercise of warrants	1,593	13,929		
Issuance of stock for Levelite	107	1,349		
Issuance of warrants		836		
Issuance of stock in private placement	3,148	36,583		
Balance at January 2, 2004	49,988	$303,015	$ 14,990	$ 30,23

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended	January 2, 2004	January 3, 2003	Dece
(In thousands)			
Cash flow from operating activities:			
Net income (loss)	$ 38,485	$ 10,324	$(22,
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:			
Depreciation expense	8,864	9,850	11
Amortization expense	7,916	9,168	30
Provision for doubtful accounts	(32)	5,443	5
(Gain) loss on sale of fixed assets	-	423	(
Amortization of deferred gain	-	(1,061)	(1,
Amortization of debt issuance cost	3,515	1,197	
Deferred income taxes	(6,532)	1,464	(
Other	2,533	193	(
Decrease (increase) in assets:			
Accounts receivable	(16,683)	(10,615)	6
Inventories	(4,862)	(7,649)	7
Other current and non-current assets	(792)	(3,920)	2
Effect of foreign currency translation adjustment	6,895	438	(3,
Increase (decrease) in liabilities:			
Accounts payable	(6,387)	8,593	(4,
Accrued compensation and benefits	6,723	3,452	(3,
Deferred gain on joint venture	(947)	10,792	
Accrued liabilities	(6,437)	(4,823)	(2,
Income taxes payable	4,201	(953)	2
Net cash provided by operating activities	36,460	32,316	26
Effect of exchange rate changes on cash and cash equivalents	2,876	2,780	(1,
Cash flow from investing activities:			
Acquisition of property and equipment	(10,901)	(7,157)	(7,
Proceeds from sale of assets	334	1,407	1
Acquisitions, net of cash acquired	(6,606)	1,718	(4,
Investment in Nikon-Trimble Joint Venture	(4,810)	-	
Costs of capitalized patents	(670)	(1,734)	(
Net cash used by investing activities	(22,653)	(5,766)	(11,
Cash flow from financing activities:			
Issuance of common stock and warrants	50,514	21,393	36
(Payment)/collection of notes receivable	1,326	(1,082)	
Proceeds from long-term debt and revolving credit lines	138,288	18,000	30
Payments on long-term debt and revolving credit lines	(190,074)	(70,040)	(90,
Net cash provided (used) by financing activities	54	(31,729)	(23,
Net increase (decrease) in cash and cash equivalents	16,737	(2,399)	(9,
Cash and cash equivalents, beginning of period	28,679	31,078	40
Cash and cash equivalents, end of period	$ 45,416	$ 28,679	$ 31

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent nature of those estimates, actual results could differ from expectations.

Basis of Presentation

Trimble has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2003 was January 2, 2004. Fiscal 2002 was a 53-week year. The financial results of fiscal year 2002 have an extra week, and therefore will not be exactly comparable to the prior and subsequent 52-week fiscal years. Fiscal year 2001 comprised 52 weeks.

The consolidated financial statements include the results of Trimble and its subsidiaries. Inter-company accounts and transactions have been eliminated. Certain amounts from prior years have been reclassified to conform to the current year presentation.

Foreign Currency

Assets and liabilities of the Company's non-US subsidiaries are translated into US dollars at year-end exchange rates, and revenues and expenses are translated at average rates prevailing during the year. Local currencies are considered to be the functional currencies for the Company's non-US subsidiaries. Translation adjustments are included in shareholders' equity in the consolidated balance sheet caption "Accumulated other comprehensive income (loss)." Foreign currency transaction gains and losses are included in results of operations as incurred and have not been significant to the Company's operating results in any fiscal year presented. The effect of foreign currency rate changes on cash and cash equivalents is not material. Cumulative translation adjustment increased by approximately $31.2 million due to weakening US dollar against other currencies affecting the translation of our assets dominated in non-US currencies.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with insignificant interest rate risk and maturities of three months or less at the date of purchase. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Concentration of Risk

In entering into forward foreign exchange contracts, Trimble has assumed the risk that might arise from the possible inability of counter-parties to meet the terms of their contracts. The counter-parties to these contracts are major multinational investment and commercial banks, and the Company does not expect any losses as a result of counter-party defaults (see Note 6 of the Notes to the Consolidated Financial Statements). The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end user customers in diversified industries as well as various resellers. Trimble performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally does not require collateral.

With the selection of Solectron Corporation in August 1999 as an exclusive manufacturing partner for many of its GPS products, Trimble became substantially dependent upon a sole supplier for the manufacture of many of its products. In addition, the Company relies on sole suppliers for a number of its critical components.

Many of Trimble's products use GPS as the positioning technology. GPS is a system of 24 orbiting satellites established and funded by the US Government, which has been fully operational since March 1995. A significant reduction in the number of operating satellites would impair the current utility of the GPS system and the growth of current and additional market opportunities. In addition, the US Government may not remain committed to the operation and maintenance of GPS satellites over a long period, and the policy of the US Government for the use of GPS without charge may change.

Allowance for Doubtful Accounts

Trimble maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments.

Trimble evaluates the collectibility of its trade accounts receivable based on a number of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount Trimble believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding. The amount was not significant in fiscal 2003 and the expenses recorded for doubtful accounts were $5.4 million in fiscal 2002 and $5.1 million in fiscal 2001.

Inventories

Inventories are stated at the lower of standard cost or market (net realizable value). Standard costs approximate average actual costs. The Company uses a standard cost accounting system to value inventory and these standards are reviewed at a minimum of once a year and multiple times a year in the most active manufacturing plants. The Company provides for the inventory value for estimated excess and obsolete inventory, based on management's assessment of future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Intangible and Non-Current Assets

Intangible assets include goodwill, assembled workforce, distribution channels, patents, licenses, technology, and trademarks which are capitalized at cost. Intangible assets with definite lives are amortized on the straight-line basis. Useful lives generally range from five to seven years, with weighted average useful life of 5.7 years. Prior to December 29, 2001, goodwill was amortized over 20 years, except for goodwill from the Grid Data purchase, which was amortized over five years.

If facts and circumstances indicate that the goodwill, other intangible assets, or property and equipment may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write-down to fair market value or discounted cash flow value is required. Trimble performed an impairment test of goodwill upon transition to FAS No. 142 on December 29, 2001, and an annual impairment test at the end of the third fiscal quarter of 2002 and 2003, respectively, and found no impairment. Trimble will continue to evaluate its goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

Trimble adopted SFAS No. 142 on December 29, 2001. As a result, goodwill is no longer amortized and intangible assets with indefinite lives were reclassified to goodwill.

Revenue Recognition

Trimble's revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition." The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is specified by the customer or is uncertain, revenue is deferred until all acceptance criteria have been met.

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period. Substantially all technology licenses and research revenue have consisted of initial license fees and royalties, which were recognized when earned, provided we had no remaining obligations.

Contracts and customer purchase orders are generally used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. The Company assesses whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. The Company assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

Trimble's shipment terms for US orders, and international orders fulfilled from its European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that Trimble fulfills the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, Trimble may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. Shipping and handling costs are included in the cost of goods sold.

Other international orders are shipped FOB destination, which means these international orders are not recognized as revenue until the product is delivered and title has transferred to the buyer or FCA shipping point. FOB destination means that Trimble bears all costs and risks of loss or damage to the goods up to that point.

Revenue to distributors and resellers is recognized upon delivery, assuming all other criteria for revenue recognition have been met. Distributors and resellers do not have a right of return.

When a sale involves multiple elements the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met. The amount of product revenue allocated to an individual element is limited to the lesser of its relative fair value or the amount not contingent on the Company's delivery of other elements under the arrangement, regardless of the probability of the Company's performance.

Trimble's software arrangements generally consist of a license fee and post contract customer support (PCS). Trimble has established vendor-specific objective evidence (VSOE) of fair value for its PCS contracts based on the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, which revenue is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the term of the PCS agreement.

Support and Warranty

The warranty periods for the Company's products are generally between one and three years from date of shipment. Selected military programs may require extended warranty periods up to 5.5 years, certain TDS products have a five year or 90-day warranty period, and certain Nikon products have a five year warranty period. Trimble supports its GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of Trimble's non-GPS products are available from company- owned or authorized facilities. The Company reimburses dealers and distributors for all authorized warranty repairs they perform.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the 12 months, ended January 2, 2004 and January 3, 2003, are as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003
(In thousands)		
Beginning balance	$ 6,394	$ 6,827
Warranties accrued	4,417	2,821
Warranty claims	(5,664)	(3,254)
Ending Balance	$ 5,147	$ 6,394

Guarantees, Including Indirect Guarantees of Indebtedness of Others

In addition to product warranties, the Company, from time to time, in the normal course of business, indemnifies other parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against specified losses, such as those arising from a breach of representations or covenants, third party claims that the Trimble's products when used for their intended purpose(s) infringe the intellectual property rights of such third party or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim. Historically, payments made by the Company under these obligations were not material and no liabilities have been recorded for these obligations on the balance sheets as of January 2, 2004 and January 3, 2003.

Advertising Costs

Trimble expenses advertising costs as incurred. Advertising expenses were approximately $9.2 million, $6.3 million, and $6.8 million in fiscal 2003, 2002, and 2001, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred. Trimble received third party funding of approximately $4.9 million, $5.3 million, and $4.1 million in fiscal 2003, 2002, and 2001, respectively. The Company offsets research and development expenses with any third party funding received.

The Company retains the rights to any technology developed.

Stock Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and "Statement of Financial Accounting Standards No. 148" ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure," Trimble applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock option plans and stock purchase plan. Accordingly, the Company does not recognize compensation cost for stock options granted at fair market value. Note 13 of the Consolidated Financial Statements describe the plans operated by Trimble.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, and the estimated fair value of purchases under the employee stock purchase plan is expensed in the year of purchase as well as the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards. The effects on pro forma disclosure of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosure of future years.

Pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS No. 123 and has been determined as if Trimble had accounted for its employee stock options and purchases under the employee stock purchase plan using the fair value method of SFAS No.123. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for fiscal 2003, 2002, and 2001:

	January 2, 2004	January 3, 2003	December 28, 2001

Expected dividend yield	-	-	-
Expected stock price volatility	59.87%	52.70%	69.59%
Risk free interest rate	3.34%	3.13%	4.15%
Expected life of options after vesting	1.56	1.18	1.20

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Trimble's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of its employee stock options.

Trimble's pro forma information is as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(dollars in thousands)			
Net income (loss) - as reported	$ 38,485	$ 10,324	$(22,879)
Stock-based employee compensation expense determined under fair value method based for all awards, net of related tax effects	11,549	11,641	12,718
Net earnings (loss) - pro forma	$ 26,936	$ (1,317)	$(35,597)
Basic earnings (loss) per share - as reported	0.81	0.24	(0.62)
Basic earnings (loss) per share - pro forma	0.57	(0.03)	(0.96)
Diluted earnings (loss) per share - as reported	0.77	0.24	(0.62)
Diluted earnings (loss) per share - pro forma	0.54	(0.03)	(0.96)

Depreciation

Depreciation of property and equipment owned or under capitalized leases is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms. Useful lives include a range from two to six years for machinery and equipment, five years for furniture and fixtures, two to five years for computer equipment and software, and the life of the lease for leasehold improvements.

Income Taxes

Income taxes are accounted for under the liability method whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not, that such assets will not be realized.

Earnings (Loss) Per Share

Number of shares used in calculation of basic earnings per share represents the weighted average common shares outstanding during the period and excludes any dilutive effects of options, warrants, and convertible securities. The dilutive effects of options, warrants, and convertible securities are included in diluted earnings per share. (See Note 21 to the Consolidated Financial Statements regarding a 3 for 2 stock split subsequent to year end.)

New Accounting Standards

In November of 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into after June, 2003. The effect of adoption of EITF Issue No. 00-21 on Trimble's results of operations and financial condition was immaterial.

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," was issued in January 2003, and a revised interpretation of FIN 46 (FIN 46-R) was issued in December 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, Trimble has not obtained any variable interests in any entities it believes are variable interest entities. For arrangements entered into prior to February 1, 2003, Trimble would be required to adopt the provisions of FIN 46-R in the first quarter of fiscal 2004. Trimble is in the process of determining the effect, if any, the adoption of FIN 46-R will have on its financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement did not have an effect on Trimble's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Many of these instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003, which for Trimble, was the fourth quarter of 2003. The adoption of this Statement did not have an effect on Trimble's financial statements.

Note 2 - Acquisitions:

The following is a summary of acquisitions made by Trimble during fiscal 2003, 2002, and 2001, all of which were accounted for as purchases:

Acquisition	Primary Service or Product	Acquisition Date
Grid Data	Wireless application service provider	April 2, 2001

LeveLite	Low-end construction instrument products	August 15, 2002
Applanix	Inertial navigation systems and GPS	July 7, 2003
MENSI	3D laser scanning technology	December 9, 2003

The consolidated financial statements include the results of operations of acquired companies commencing on the date of acquisition. Pro forma information is not presented, as these acquisitions did not have a material effect on the Company's results of operations.

Allocation of Purchase Consideration

The total purchase consideration for each of the above acquisitions was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The following is a summary of purchase price, acquisition costs and purchase price allocation of the Grid Data, and LeveLite, Applanix, and MENSI acquisitions:

(In thousands)	Grid Data	LeveLite	Applanix	ME
Purchase price	$ 8,248	$ 7,506	$ 17,401	$
Acquisition costs	50	144	438	
Restructuring costs	-	555	-	
Total purchase price	$ 8,298	$ 8,205	$ 17,839	$
Purchase price allocation:				
Fair value of tangible net assets acquired	(141)	6,115	3,742	
Deferred tax	-	-	(1,153)	
Identified intangible assets:				
Existing technology	-	-	3,440	
Goodwill	8,439	2,090	11,810	
Total	$ 8,298	$ 8,205	$ 17,839	$

Grid Data, Inc.

On April 2, 2001, Trimble acquired certain assets of Grid Data, an Arizona corporation, for approximately $3.5 million in cash and the assumption of certain liabilities. In addition, the purchase agreement provided for Trimble to make earn-out payments based upon the completion of certain business milestones. In June 2002, Trimble issued 402,528 shares of common stock in settlement of all earn-out payments, which resulted in additional goodwill of $4.8 million, with a final purchase price of approximately $8.3 million.

LeveLite Technology, Inc.

On August 15, 2002, Trimble acquired LeveLite Technology, Inc., a California corporation, for approximately $5.7 million. This strategic acquisition complements Trimble's entry-level construction instrument product line. The purchase price consisted of 655,626 shares of common stock. The merger agreement provides for Trimble to make additional earn-out payments not to exceed $3.9 million (in common stock and cash payment) based on future revenues derived from existing product sales to a certain customer and a share of the payments received from the settlement of potential litigation. As of January 2, 2004, the total earn-out amount was approximately $1.8 million resulting in additional goodwill and a final purchase price of approximately $7.5 million.

Applanix Corporation

* On July 7, 2003, Trimble acquired privately held Applanix Corporation of Ontario, Canada for approximately $17.8 million. Applanix develops systems that integrate inertial navigation system (INS) and GPS technologies. The purchase price consisted of 1,154,240 shares of Trimble common stock, of which 720,404 were issued. Former Applanix shareholders have the right to receive the remaining 433,836 shares of Trimble common stock upon the surrender of exchangeable shares of a Trimble subsidiary. Trimble expects the Applanix acquisition to extend its technology portfolio and enable increased robustness and capabilities in its future positioning products. Applanix's performance is reported under the Company's Portfolio Technologies segment. Trimble's allocated a portion of the purchase price to existing technology, which is being amortized over seven years.

MENSI S.A.

On December 9, 2003, we acquired privately held MENSI S.A., a French developer of terrestrial 3D laser scanning technology. This strategic acquisition will enhance our technology portfolio and expand our product offerings. The purchase price consisted of an initial cash payment of approximately Euro 3.5 million (approximately US$4.3 million on December 9, 2003). The acquisition agreement provides for Trimble to make additional earn-out cash payments not to exceed Euro 3 million (approximately US$3.7 million on December 9, 2003) based on future revenue derived from existing product sales. The additional payments, if earned, will result in additional goodwill. MENSI's performance is reported under our Engineering and Construction segment.

NOTE 3 - Joint Ventures:

Caterpillar Trimble Control Technologies Joint Venture

On April 1, 2002, Caterpillar Trimble Control Technologies LLC ("CTCT"), a joint venture formed by Trimble and Caterpillar began operations. CTCT, based in Dayton, Ohio, is 50% owned by Trimble and 50% owned by Caterpillar, with equal voting rights. It develops and markets next generation advanced electronic guidance and control products for earthmoving machines in the construction, mining, and waste industries. Under the terms of the joint venture agreement, Caterpillar contributed $11.0 million cash plus selected technology, for a total contributed value of $14.5 million, and Trimble contributed selected existing machine control product technologies valued at $25.5 million. Additionally, both companies have licensed patents and other intellectual property from their portfolios to CTCT. During the first fiscal quarter of 2002, Trimble received a special cash distribution of $11.0 million from CTCT.

Trimble has recorded the cash distribution of $11.0 million as a deferred gain, being amortized to the extent that losses are attributable from CTCT under the equity method of accounting. When and if CTCT is profitable on a sustainable basis, and future operating losses are not anticipated, then Trimble will recognize as a gain, the un-amortized portion of the $11.0 million. To the extent that it is possible that the Company will have any future-funding obligation relating to CTCT, then the relevant amount of the $11.0 million will be deferred until such a time, as the funding obligation no longer exists. Both Trimble's share of profits (losses) under the equity method and the amortization of the $11.0 million deferred gain are recorded under the heading of "Expense for affiliated operations, net" in Non-operating income (expense).

The expenses for affiliated operations at CTCT, net also includes incremental costs as a result of purchasing products from CTCT at a higher price than Trimble's original manufacturing costs, partially offset by contract manufacturing fees charged to CTCT. In addition, Trimble received reimbursement of employee-related costs from CTCT for Trimble employees devoted to CTCT totaling $7.9 million in fiscal 2003 and $3.9 million in fiscal 2002. The reimbursements were offset against operating expenses.

Fiscal year ended (In millions)	January 2, 2004	January 3, 2003
CTCT incremental pricing effects, net	$ 5.9	$ 4.0
Trimble's 50% share of CTCT's reported gain (loss)	(0.9)	(0.2)
Amortization of deferred gain	0.9	0.2
Total CTCT expense for affiliated operations, net (1)	$ 5.9	$ 4.0

(1) Due to the nature of the relationship between Trimble and CTCT, a related party, the impact of these agreements is classified under non-operating income (expense) under the heading of "Expense for affiliated operations, net".

At January 2, 2004, the net outstanding balance due from CTCT to Trimble was approximately $0.8 million.

Nikon-Trimble Joint Venture

On March 28, 2003, Trimble and Nikon Corporation entered into an agreement to form a joint venture in Japan, Nikon-Trimble Co., Ltd., which assumed the operations of Nikon Geotecs Co., Ltd., a Japanese subsidiary of Nikon Corporation and Trimble Japan KK, a Japanese subsidiary of Trimble. Nikon-Trimble began operations in July 2003.

Under the terms of the Nikon-Trimble agreement, Nikon contributed (Y)1.2 billion (approximately US$10 million on June 30, 2003) in cash, while Trimble contributed (Y)500 million (approximately US$4.1 million on June 30, 2003) in cash and (Y)700 million of its common stock or 349,251 shares valued at approximately US$5.9 million on June 30, 2003. The Nikon-Trimble joint venture purchased certain tangible and intangible assets from Nikon Geotecs Co., Ltd. and Trimble Japan KK.

Nikon-Trimble is 50% owned by Trimble and 50% owned by Nikon, with equal voting rights. It focuses on the design and manufacture of surveying instruments including mechanical total stations and related products. In Japan, this joint venture will distribute Nikon's survey products as well as Trimble's GPS survey products and other Engineering and Construction products, including robotic total stations. Outside Japan, Trimble is the exclusive distributor of Nikon survey and construction products.

Trimble has adopted the equity method of accounting for its investment in Nikon-Trimble, with 50% share of profit or loss from this joint venture to be reported by Trimble in the Non-operating section of the Consolidated Statement of Operations under the heading of "Expenses for affiliated operations, net." During fiscal 2003, and the first year of its operations, Nikon-Trimble reported a loss of $0.6 million of which Trimble's share is $0.3 million. At January 2, 2004, the outstanding balance from Nikon-Trimble due to Trimble was approximately $1.4 million related to the transfer of certain tangible and intangible assets from Trimble Japan KK, recorded under the heading of "Accounts and other receivables, net" and $2.0 million net payable by Trimble to Nikon-Trimble related to the purchase and sale of products from and to Nikon-Trimble recorded under the heading of "Other accrued liabilities" on the Consolidated Balance Sheets.

Note 4 - Goodwill and Intangible Assets:

Goodwill and purchased intangible assets consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Intangible assets:		
Intangible assets with definite life:		
Existing technology	$ 32,389	$ 25,986
Trade names, trademarks, patents, and other intellectual properties	20,911	21,594
Total intangible assets with definite life	53,300	47,580
Less accumulated amortization	(33,559)	(24,342)
Total net intangible assets	$ 19,741	$ 23,238
Goodwill:		
Goodwill, Spectra Precision acquisition	205,562	185,277
Goodwill, other acquisitions	35,863	20,656
Total goodwill	241,425	205,933

The increase in goodwill of approximately $35.5 million during fiscal 2003 was primarily due to the acquisition of Applanix and MENSI of approximately $15.0 million and the exchange rate impact of approximately $18.0 million on non-US currency denominated goodwill assets.

The intangible asset amortization expense as of January 2, 2004 for the five years following fiscal 2003 is projected as follows:

(In thousands)	Amortization Expense
2004	$8,177
2005	5,384
2006	2,522
2007	1,747
2008	824
Thereafter	1,087
Total	$ 19,741

For comparative purposes, the pro forma adjusted net income (loss) per share excluding amortization of goodwill, distribution channel, and assembled workforce is as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 2001
(in thousands, except per share data)			
Net income (loss)	$ 38,485	$ 10,324	$(22,879)
Add back SFAS 142 adjustments:			
Amortization of goodwill	-	-	7,817
Amortization of distribution channel	-	-	11,230
Amortization of assembled workforce	-	-	1,834
Adjusted net income (loss)	$ 38,485	$ 10,324	$ (1,998)
Weighted average shares outstanding			
Basic	47,505	42,860	37,091
Diluted	50,012	43,578	37,091
Diluted net income (loss) per share	$ 0.81	$ 0.24	$ (0.05)
Pro forma adjusted diluted net income (loss) per share	$ 0.77	$ 0.24	$ (0.05)

Note 5 - Certain Balance Sheet Components:

Inventories consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Raw materials	$ 20,927	$ 21,098
Work-in-process	3,876	5,187
Finished goods	46,023	34,859
	$ 70,826	$ 61,144

Property and equipment consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Machinery and equipment	$ 66,634	$ 70,660
Furniture and fixtures	9,085	6,538
Leasehold improvements	4,502	6,451
Buildings	5,236	2,905
Land	1,391	1,391
	86,848	87,945
Less accumulated depreciation	(59,469)	(65,908)
	$ 27,379	$ 22,037

Other current assets consisted of the following:

As of	January 2, 2004	January 3, 2003

(in thousands)		
Notes receivable	$ 446	$ 1,685
Prepaid expenses	4,566	5,495
Other	647	1,221
	$ 5,659	$ 8,401

Other non-current assets consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Debt issuance costs, net	$ 1,691	$ 2,493
Nikon-Trimble joint venture investment*	10,717	-
Other investments	1,216	1,381
Deposits	925	1,196
Demonstration equipment, net	3,226	2,665
Receivables from employees	801	1,223
Other	3,978	3,128
	$ 22,554	$ 12,086

* Includes transaction costs of approximately $0.7 million.

Note 6 - Derivative Financial Instruments:

Trimble transacts business in various foreign currencies and hedges identified risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. Trimble utilizes forward contracts to hedge certain trade and inter-company receivables and payables. These contracts reduce the exposure to fluctuations in exchange rate movements, as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the hedge contracts and are marked to market through earnings every period and generally range from one to three months in original maturity. These hedge instruments are marked to market through earnings every period. Gains and losses are not material to the Company's financial position or results of operation.

From time to time, Trimble may also utilize forward foreign exchange contracts designated as cash flow hedges of operational exposures represented by firm backlog orders to specific accounts over a specific period of time. Trimble

records changes in the fair value of cash flow hedges in accumulated other comprehensive income (loss), until the firm backlog transaction ships. Upon recognition of revenue, the Company reclassifies the gain or loss on the cash flow hedge to the statement of operations. For the fiscal year ended January 3, 2003, Trimble recorded a gain of $57,000 reflecting the net change and ending balance in relation to a firm backlog hedge. The critical terms of the cash flow hedging instruments are the same as the underlying forecasted transactions. The changes in fair value of the derivatives are intended to offset changes in the expected cash flow from the forecasted transactions. All forward contracts have maturity of less than 12 months. As of January 3, 2003, the effect of all outstanding derivative instruments did not have a material impact on the

Company's financial position or results of operations and none are outstanding as of January 2, 2004.

Note 7 - The Company, Industry Segment, Geographic, and Customer Information:

Trimble is a designer and distributor of positioning products and applications enabled by GPS, optical, laser, and wireless communications technology. The Company designs and markets products, by delivering integrated information solutions such as collecting, analyzing, and displaying position data to its end users. Trimble offers an integrated product line for diverse applications in its targeted markets.

To achieve distribution, marketing, production, and technology advantages in Trimble's targeted markets, the Company manages its operations in the following five segments:

- Engineering and Construction -- Consists of products currently used by survey and construction professionals in the field for positioning data collection, field computing, data management, and automated machine guidance and control. These products provide solutions for numerous construction applications including surveying, general construction, site preparation and excavation, road and runway construction, and underground construction.

- Field Solutions -- Consists of products that provide solutions in a variety of agriculture and fixed asset applications, primarily in the areas of precise land leveling, machine guidance, yield monitoring, variable-rate applications of fertilizers and chemicals, and fixed asset data collection for a variety of governmental and private entities. This segment is an aggregation of the mapping and geographic information systems (GIS) and agriculture businesses. Trimble has aggregated these business operations under a single general manager in order to continue to leverage its research and development activities due to the similarities of products across the segment.

- Mobile Solutions -- Consists of products that enable end users to monitor and manage their mobile assets by communicating location-relevant information from the field to the office. Trimble offers a range of products that address a number of sectors of this market including truck fleets, security, telematics, and public safety vehicles.

- Component Technologies -- Currently, Trimble markets its GPS component products through an extensive network of OEM relationships. These products include proprietary chipsets, modules, and a variety of intellectual property. The applications into which end users currently incorporate the component products include: timing applications for synchronizing wireless and computer systems; in-vehicle navigation and telematics (tracking) systems; fleet management; security systems; data collection networks; and wireless handheld consumer products.

- Portfolio Technologies -- The various operations that comprise this segment were aggregated on the basis that no single operation accounted for more than 10% of the total revenue. During the first two fiscal quarters of 2003, this segment was comprised solely of the Military and Advanced Systems business. Beginning with the third quarter of fiscal 2003, Applanix's performance is reported in this business segment.

At the beginning of fiscal 2003, Trimble realigned two of its reportable segments. The Tripod Data Systems business is now included in the Engineering and Construction segment, while previously it was included in the Portfolio Technologies segment. The following table has been restated to reflect this realignment.

Trimble evaluates each of its segment's performance and allocates resources based on profit and loss from operations before income taxes, and some corporate allocations. Trimble and each of its segments employ the same accounting policies.

The following table presents revenues, operating income (loss), and identifiable assets for the five segments. The information includes the operations of Grid Data after April 2, 2001, LeveLite after August 15, 2002, Applanix after July 7, 2003 and MENSI after December 9, 2003. Operating income (loss) is net revenue less operating expenses, excluding general corporate expenses, goodwill amortization, restructuring charges, non-operating income (expense), and income taxes. The identifiable assets that Trimble's Chief Operating Decision Maker views by segment are accounts receivable and inventory.

	Reporting Segments				
Fiscal Years Ended	Engineering and Construction	Field Solutions	Mobile Solutions	Component Technologies	Port Techn
(In thousands)					
January 2, 2004					
External net revenues	$ 367,058	$ 79,879	$ 12,981	$ 64,193	$ 1
Operating income (loss) before corporate allocations	60,664	14,500	(6,452)	16,560	(1
Accounts receivable (1)	84,897	16,589	4,103	10,003	
Inventories	56,008	3,398	3,038	2,021	
January 3, 2003					
External net revenues	$ 319,615	$ 67,259	$ 8,486	$ 59,755	$ 1
Operating income (loss) before corporate allocations	53,453	9,676	(12,039)	10,673	
Accounts receivable (1)	73,474	11,598	1,960	11,276	
Inventories	46,332	7,337	1,986	2,853	
December 28, 2001					
External net revenues	$ 317,849	$ 68,519	$ 13,791	$ 58,083	$ 1
Operating income (loss) before corporate allocations	49,849	11,349	(9,990)	10,359	
Accounts receivable (1)	64,185	10,191	4,274	7,392	
Inventories	38,921	4,639	1,992	2,490	

(1) As presented, accounts receivable excludes cash received in advance and allowances for doubtful accounts, which are not allocated between segments.

The following are reconciliations corresponding to totals in the accompanying consolidated financial statements:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
Operating income from continuing operations:			
Total for reportable divisions (1)	$ 83,586	$ 62,320	$ 62,306
Unallocated corporate expenses	(29,651)	(28,497)	(62,125)
Operating income from continuing operations	$ 53,935	$ 33,823	$ 181

(1) Segment operating income for fiscal 2002 and fiscal 2001 have been restated to reflect the allocations of certain corporate expenses so as to be comparable with the allocation methodology in fiscal 2003.

As of	January 2, 2004	January 3, 2003
(in thousands)		
Assets:		
Accounts receivable total for reportable segments	$ 122,913	$ 100,274
Unallocated (1)	(19,563)	(20,629)
Total	$ 103,350	$ 79,645

(1) Includes cash received in advance, other receivables, and accruals that are not allocated by segment.

The following table presents revenues by product groups.

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
GPS Products	$ 320.9	$ 274.5	$ 274.2
Laser and Optical Products	199.7	186.9	93.9
Other	20.3	13.9	1.7
Total revenue	$ 540.9	$ 475.3	$ 369.8

The geographic distribution of Trimble's revenues and identifiable assets is summarized in the table below. Other foreign countries include Canada and countries within South and Central America. Identifiable assets indicated in the table below exclude inter-company receivables, investments in subsidiaries, goodwill, and intangibles assets.

	Geographic Area	
Europe		Other

Fiscal Years Ended (In thousands)	US	Middle East Africa	Asia	Non-US Countries
January 2, 2004				
Sales to unaffiliated customers (1)	$ 265,846	$ 166,153	$ 70,257	$ 38,648
Inter-geographic transfers	112,623	116,185	-	3,755
Total revenue	$ 378,469	$ 282,338	$ 70,257	$ 42,403
Identifiable assets	$ 172,850	$ 91,008	$ 7,549	$ 12,330
January 3, 2003				
Sales to unaffiliated customers (1)	$ 235,716	$ 136,551	$ 60,878	$ 33,457
Inter-geographic transfers	$ 62,843	73,625	-	4,121
Total revenue	$ 298,559	$ 210,176	$ 60,878	$ 37,578
Identifiable assets	$ 127,594	$ 70,057	$ 9,955	$ 5,743
December 28, 2001				
Sales to unaffiliated customers (1)	$ 236,665	$ 143,051	$ 54,710	$ 40,866
Inter-geographic transfers	57,481	49,940	2,137	-
Total revenue	$ 294,146	$ 192,991	$ 56,847	$ 40,866
Identifiable assets	$ 120,403	$ 71,081	$ 10,048	$ 3,829

(1) Sales attributed to countries based on the location of the customer.

Transfers between US and non-US geographic areas are made at prices based on total costs and contributions of the supplying geographic area. The Company's subsidiaries in Asia, except for Japan, which is a buy/sell entity, have derived revenue from commissions from US operations in each of the periods presented. These commission revenues and expenses are excluded from total revenue and operating income (loss) in the preceding table. The Japanese entity's revenues and expenses are included in total revenue and operating income (loss) in the preceding table. In fiscal 2002, Germany comprised approximately 16% of sales to unaffiliated customers. Other than the United States, no other country comprised more than 10% of sales to unaffiliated customers for any periods presented, except as disclosed above.

No single customer accounted for 10% or more of Trimble's total revenues in fiscal years 2003, 2002, and 2001.

Note 8 - Restructuring Charges:

Restructuring charges of $2.0 million were recorded in fiscal 2003, $1.1 million in fiscal 2002, and $3.6 million in fiscal 2001, all of which related to severance costs, except for $0.3 in 2003 which related to lease costs of Trimble's Japanese office closure due to the Nikon joint venture. As a result of the restructuring activities, the Company's headcount decreased in fiscal 2003 by 77, 49 and 207 in fiscal 2003, 2002, and 2001, respectively. As of January 2, 2004, the restructuring accrual balance was approximately $0.4 million which will be paid over the remaining term of the lease through 2006.

Note 9 - Long-term Debt:

Long-term debt consisted of the following:

As of (In thousands)	January 2, 2004	January 3, 2003
Credit Facilities:		
Term loan	$ 43,750	$ 32,600
Revolving credit facility	44,000	35,000
Subordinated note	-	69,136
Promissory notes and other	2,736	1,789
	90,486	138,525
Less bank and other short-term borrowings	-	6,556
Less current portion of long-term debt	12,885	24,104
Non-current portion	$ 77,601	$107,865

The following summarizes the future cash payment obligations (excluding interest) as of January 2, 2004:

(in thousands)	Total	2004	2005	2006	2007	2
Credit Facilities:						
Term loan	$ 43,750	$ 12,500	$ 12,500	$ 12,500	$ 6,250	$
Revolving credit facility	44,000	-	-	44,000	-	
Subordinated note	-	-	-	-	-	
Promissory note and other	2,736	385	165	285	110	
Total contractual cash obligations	$ 90,486	$ 12,885	$ 12,665	$ 56,785	$ 6,360	$

Credit Facilities

On June 25, 2003, Trimble obtained a $175 million secured Credit Facility ("2003 Credit Facility") from a syndicate of nine banks to repay the Subordinated Note and refinance certain existing higher interest credit facilities, pay fees and expenses related to this new credit facility, and for ongoing working capital and general corporate needs.

At January 2, 2004, Trimble had approximately $87.8 million of borrowings under the 2003 Credit Facility, comprised of a $43.8 million term loan and $44.0 million of a $125 million revolver. The Company has access to an additional $81 million of cash under the terms of the revolving credit facility. The Company has commitment fees on the unused portion of 0.5% if the Leverage Ratio (which is defined as total indebtedness to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), as defined in the related agreement) is 2.0 or greater and 0.375% if the Leverage Ratio is less than 2.0.

Pricing of interest for any borrowings under the 2003 Credit Facility was fixed for the first six months at LIBOR plus 175 basis points (1.5% at January 2,

2004) and now is thereafter tied to a formula, based on the Leverage Ratio.

The Credit Facility is secured by all of the Company's material assets, except for assets that are subject to foreign tax considerations. Financial covenants of the 2003 Credit Facility include leverage, fixed charge, and minimum net worth tests. At January 2, 2004, Trimble was in compliance with all financial debt covenants. The amount due under the revolver loan is paid as the loan matures on June 25, 2006, and the loan commitment fees are paid on a quarterly basis.

Under the terms of the 2003 Credit Facility, the Company is allowed to pay dividends and repurchase shares of common stock up to 25% of net income in the previous fiscal year, under the existing terms of the credit facilities.

In July of 2000, Trimble obtained $200 million of senior, secured credit facilities (the "2000 Credit Facility") from a syndicate of banks to support the acquisition of Spectra Precision Group and its ongoing working capital requirements and to refinance certain existing debt. At January 3, 2003, Trimble had approximately $67.6 million outstanding under the 2000 Credit Facility, comprised of $32.6 million under a $100 million five-year term loan, $25 million under a $50 million US dollar only revolving credit facility ("revolver"), and $10 million under a $50 million multi-currency revolver. The Company had commitment fees on the unused portion of 0.5% assuming certain ratios were met. Pricing for any borrowings under the 2000 Credit Facility was fixed for the first six months at LIBOR plus 275 basis points and was thereafter tied to a formula, based on the leverage ratio.

Due to the full repayment of the Subordinated Note and the refinancing of the 2000 Credit Facility, the Company wrote off approximately $3.6 million of unamortized debt issuance costs and warrants issued in connection with the Subordinated Note, as interest expense in fiscal 2003.

Subordinated Note

In July of 2000, as part of the acquisition of Spectra Precision Group, the Company issued Spectra-Physics Holdings USA, Inc., a subordinated seller note that had a stated two-year maturity. On March 20, 2002, the Company renegotiated the terms of the subordinated note. Under the revised agreement, Spectra-Physics Holdings, Inc., a subsidiary of Thermo Electron, extended the due date of the note until July 14, 2004, at the current interest rate of approximately 10.4% per year.

As of January 3, 2003 the principal amount outstanding was approximately $69.1 million. As permitted by the 2000 Credit Facility, Trimble repaid the subordinated note during fiscal 2003.

Promissory Note and Others

The promissory note and others mainly consists of a $1.7 million liability arising from the purchase of a building for Trimble's Corvallis, Oregon site and other government loans in our foreign subsidiaries. The $1.7 million note is payable in monthly installments through April 2015, bearing a 3.99% variable interest rate as of January 2, 2004.

Weighted Average Cost of Debt

The weighted average cost of debt is approximately 2.9% for fiscal 2003 and 7.6%

for fiscal 2002.

Note 10 - Lease Obligations and Commitments:

Trimble's principal facilities in the United States are leased under non-cancelable operating leases that expire at various dates through 2011. The Company has options to renew certain of these leases for an additional five years. Trimble also leases facilities under operating leases in the United Kingdom, Sweden, and Germany that expire in 2005.

Future minimum payments required under non-cancelable operating leases are as follows:

(In thousands)	Operating Lease Payments
2004	$ 10,129
2005	9,401
2006	2,322
2007	1,643
2008	1,489
Thereafter	3,157
Total	$ 28,141

Net rent expense under operating leases was $13.2 million in fiscal 2003, $5.9 million in fiscal 2002, and $9.6 million in fiscal 2001. Sublease income was $1.7 million, $4.7 million, and $3.5 million, respectively.

Note 11 - Fair Value of Financial Instruments:

The carrying amounts and fair values of Trimble's financial instruments are as follows:

	Carrying Amount	Fair Value	Carrying Amount
	January 2, 2004		Janua
(In thousands)			
Assets:			
Cash and cash equivalents (See Note 1)	$ 45,416	$ 45,416	$ 28,679
Forward foreign currency exchange contracts (See Note 6)	1,412	1,328	125
Accounts receivable	103,350	103,350	79,645
Liabilities:			
Subordinated notes (See Note 9)	-	-	69,136
Credit facilities (See Note 9)	87,750	87,750	67,600
Promissory note and other (See Note 9)	2,736	2,335	1,789
Accounts payable	26,019	26,019	30,669

The fair value of the subordinated notes, bank borrowings, and promissory notes have been estimated using an estimate of the interest rate Trimble would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that Trimble would currently have to pay to extinguish any of this debt.

The fair value of forward foreign exchange contracts is estimated based on the difference between the market price and the carrying amount of comparable contracts. These contracts are adjusted to fair value at the end of every month.

Note 12 - Income Taxes:

Trimble's income tax provision (benefit) consisted of the following:

Fiscal Years Ended (In thousands)	January 2, 2004	January 3, 2003	December 28, 2001
US Federal:			
Current	$ 513	$ -	$ -
Deferred	(7,000)	-	-
	(6,487)	-	-
US State:			
Current	250	142	58
Deferred	(600)	-	-
	(350)	142	58
Non-US:			
Current	1,594	2,052	2,729
Deferred	2,343	1,306	(887)
	3,937	3,358	1,842
Income tax provision (benefit)	$ (2,900)	$ 3,500	$1,900

The pre-tax US income (loss) from continuing operations was approximately $39.5 million, $3.3 million and $(29.3) million in fiscal years 2003, 2002 and 2001, respectively.

The income tax provision (benefit) differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The sources and tax effects of the differences are as follows:

Fiscal Years Ended (In thousands)	January 2, 2004	January 3, 2003	December 28, 2001
Expected tax from continuing operations at 35% in all years	$ 12,455	$ 4,839	$(7,557)
Change in valuation allowance	(15,028)	(1,156)	9,704
Non-US tax rate differential	-	(137)	(855)
Goodwill amortization	-	-	747

Other	(327)	(46)	(139)
Income tax provision (benefit)	$ (2,900)	$ 3,500	$ 1,900
Effective tax rate	(8%)	25%	(9%)

The components of deferred taxes consist of the following:

As of	January 2, 2004	January 3, 2003
(In thousands)		
Deferred tax liabilities:		
Purchased intangibles	$ 1,338	$ 381
Depreciation and amortization	3,776	2,258
Other individually immaterial items	251	(78)
Total deferred tax liabilities	5,365	2,561
Deferred tax assets:		
Inventory valuation differences	9,001	12,069
Expenses not currently deductible	5,528	5,762
US Federal credit carryforwards	9,150	8,172
Deferred revenue	4,280	4,317
US State credit carryforwards	6,999	6,215
Warranty	2,374	2,374
Depreciation and amortization	2,871	3,184
US Federal net operating loss (NOL) carryforward	-	4,451
Other individually immaterial items	3,106	1,827
Total deferred tax assets	43,309	48,371
Valuation allowance	(34,756)	(47,878)
Total deferred tax assets	8,553	493
Total net deferred tax assets/(liabilities)	$ 3,188	$(2,068)

The Company has US Federal credit carryforwards of approximately $9.1 million that expire beginning in 2004. The Company has state research and development credit carryforwards of approximately $10.4 million which do not expire.

The change in valuation allowance in 2003 includes net operating losses realized as well as the benefit given to certain deferred tax assets in the amount of $7.6 million based on management's assessment that it is more likely than not that such assets will be realized. The valuation allowance decreased by $13.1 million in 2003 and decreased by $3.1 million in 2002. Approximately $14.1 million of the valuation allowance at January 2, 2004 relates to the tax benefits of stock option deductions, which will be credited to equity if and when realized.

Note 13 - Shareholders' Equity:

3-for-2 Stock Split

Trimble's Board of Directors approved a 3-for-2 split of all outstanding shares of the Company's Common Stock, payable March 4, 2004 to stockholders of record on February 17, 2004. Cash will be paid in lieu of fractional shares. All share and per share information have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

Common Stock

On April 14, 2003, Trimble sold 3,148,000 shares of its Common Stock, no par value per share, to an investor at a price of $12.17 per share in an offering pursuant to its shelf registration statement. The offering resulted in net proceeds to Trimble of approximately $36.6 million, approximately $31 million of which was used to pay down the principal balance and $5.6 million was used to pay down the accrued interest due on the Subordinated Note (see Note 9 to the Consolidated Financial Statements).

On December 21, 2001, Trimble completed a private placement of 2,675,006 shares of its Common Stock at a price of $10.00 per share to certain qualified investors, resulting in gross proceeds of approximately $26.8 million to the Company. On January 15, 2002, Trimble had a second closing of the private placement issuing 1,920,006 shares of Common Stock at $10.00 per share resulting in gross proceeds of an additional $19.2 million.

2002 Stock Plan

In 2002, Trimble's Board of Directors adopted the 2002 Stock Plan ("2002 Plan"). The 2002 Plan approved by the shareholders provides for the granting of incentive and non-statutory stock options for up to 3,000,000 shares plus any shares currently reserved but un-issued to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 2002 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of the grant. The exercise price of non-statutory stock options issued under the 2002 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 2, 2004, options to purchase 2,326,742 shares were outstanding and 619,949 were available for future grant under the 2002 Plan.

1993 Stock Option Plan

In 1992, Trimble's Board of Directors adopted the 1993 Stock Option Plan ("1993 Plan"). The 1993 Plan, as amended to date and approved by shareholders, provides for the granting of incentive and non-statutory stock options for up to 9,562,500 shares of Common Stock to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 1993 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of grant. The exercise price of non-statutory stock options issued under the 1993 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 2, 2004, options to purchase 4,799,045 shares were outstanding, and 980,627 shares were available for future grant under the 1993

Plan.

1990 Director Stock Option Plan

In December 1990, Trimble adopted a Director Stock Option Plan under which an aggregate of 570,000 shares of Common Stock have been reserved for issuance to non-employee directors as approved by the shareholders to date. At January 2, 2004, options to purchase 287,501 shares were outstanding, and no shares were available for future grants under the Director Stock Option Plan.

1992 Management Discount Stock Option Plan

In 1992, Trimble's Board of Directors approved the 1992 Management Discount Stock Option Plan ("Discount Plan"). Under the Discount Plan, 450,000 non-statutory stock options were reserved for grant to management employees at exercise prices that may be significantly discounted from the fair market value of Common Stock on the dates of grant. Options are generally exercisable six months from the date of grant. As of January 2, 2004, there were no shares available for future grants. For accounting purposes, compensation cost on these grants is measured by the excess over the discounted exercise prices of the fair market value of Common Stock on the dates of option grants. There were no discounted options granted in the plan in fiscal 2003, 2002, and 2001. As of January 2, 2004, options to purchase 187,500 shares were outstanding under the 1992 Management Discount Stock Option Plan.

1988 Employee Stock Purchase Plan

In 1988, Trimble established an employee stock purchase plan under which an aggregate of 5,025,000 shares of Common Stock have been reserved for sale to eligible employees as approved by the shareholders to date. The plan permits full-time employees to purchase Common Stock through payroll deductions at 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each six-month offering period. In fiscal 2003 and 2002, 328,044 shares and 362,412 shares, respectively, were issued under the plan for aggregate proceeds to the Company of $3.1 million and $2.9 million, respectively. At January 2, 2004, the number of shares reserved for future purchases by eligible employees was 428,216.

SFAS 123 Disclosures

As stated in Note 1 of the Notes to the Consolidated Financial Statements, Trimble has elected to follow APB 25 and related interpretations in accounting for its employee stock options and stock purchase plans. The alternative fair value accounting provided for under SFAS 123 requires use of option pricing models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of Trimble's employee stock options equals the market price of the underlying stock on date of grant, no compensation expense is recognized.

Exercise prices for options outstanding as of January 2, 2004, ranged from $5.33 to $34.46. The weighted average remaining contractual life of those options is 6.91 years. In view of the wide range of exercise prices, Trimble considers it appropriate to provide the following additional information in respect of options outstanding:

Range	Number Outstanding(1)	Options Outstanding Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life	Options Exer Number Exercisable(1)	E
$ 5.33 - 6.63	908	5.70	5.01	873	
6.67 - 8.53	861	7.91	6.03	614	
8.75 - 9.33	111	9.10	6.07	65	
10.23	843	10.23	8.47	228	
10.25 - 11.43	957	10.81	6.13	585	
11.65 - 11.67	780	11.65	6.74	426	
11.93 - 15.71	783	13.29	6.18	525	
16.04	21	16.04	6.02	17	
17.00	1,064	17.00	9.53	5	
17.55 - 34.46	1,274	26.37	6.86	800	
Total	7,601	13.61	6.91	4,136	

(1) In thousands

Activity during fiscal 2003, 2002, and 2001, under the combined plans was as follows:

Fiscal Years Ended	January 2, 2004 Options	Weighted average exercise price	January 3, 2003 Options	Weighted average exercise price	Dec Optio
(In thousands, except for per share data)					
Outstanding at beginning of year	7,691	$ 12.35	6,932	$ 12.69	6,3
Granted	1,298	16.87	1,275	9.88	1,6
Exercised	(1,263)	8.90	(199)	6.67	(43
Cancelled	(125)	15.51	(317)	13.46	(62
Outstanding at end of year	7,601	$ 13.61	7,691	$ 12.35	6,9
Exercisable at end of year	4,136	$ 12.76	4,005	$ 11.69	3,0
Available for grant	1,605		2,790		1,5
Weighted-average fair value of options granted during year		$ 10.03		$ 5.64	

Non-statutory Options

On May 3, 1999, Trimble entered into an agreement to grant a non-statutory option to purchase up to 45,000 shares of common stock at an exercise price of $6.50 per share, with an expiration date of March 29, 2004.

As of January 2, 2004, these non-statutory options have not been exercised.

Warrants

On April 12, 2002, the Company issued to Spectra-Physics Holdings USA, Inc., a warrant to purchase up to 564,350 shares of Trimble's Common Stock over a fixed period of time. Initially, Spectra-Physics' warrant entitles it to purchase 300,000 shares of Common Stock over a five-year period at an exercise price of $10.07 per share. On a quarterly basis beginning July 14, 2002, Spectra-Physics' warrant became exercisable for an additional 375 shares of Common Stock for every $1 million of principal and interest outstanding to Spectra-Physics until the obligation is paid off in full. These shares are purchasable at a price equal to the average of Trimble's closing price for the five days immediately preceding the last trading day of each quarter. On July 14, 2002 an additional 26,046 shares became exercisable at an exercise price of $9.64 per share. On October 14, 2002 an additional 26,736 shares became exercisable at an exercise price of $6.12. On January 14, 2003, an additional 27,426 shares became exercisable at an exercise price of $9.03. On April 14, 2003, an additional 14,312 shares became exercisable at an exercise price of $13.37. The additional shares are exercisable over a 5-year period. No additional shares will be issuable under the warrant to Spectra-Physics as the underlying obligation has been paid off in full.

The approximate fair value of the warrants of $2.4 million was determined using the Black-Scholes pricing model with the following assumptions: contractual life of 5-year period, risk-free interest rate of 4%; volatility of 65%; and no dividends during the contractual term. The value of the warrants was being amortized to interest expense over the term of the subordinated note and the unamortized balances was written off to interest expense on June 2003 upon repayment of the note.

On December 21, 2001 and January 15, 2002, in connection with the first and second closing of the private placement of the Company's Common Stock, Trimble granted five-year warrants to purchase an additional 919,008 shares of Common Stock, subject to certain adjustments, at an exercise price of $12.97 per share.

Common Stock Reserved for Future Issuances

As of January 2, 2004, Trimble had reserved 11,371,652 common shares for issuance upon exercise of options and warrants outstanding and options available for grant under the 2002 Plan, the 1993 Plan, the 1990 Director Plan, and the 1992 Management Discount Plan, and available for issuance under the 1988 Employee Stock Purchase Plan.

Note 14 - Benefit Plans:

401(k) Plan

Under Trimble's 401(k) Plan, US employee participants (including employees of certain subsidiaries) may direct the investment of contributions to their accounts among certain mutual funds and the Trimble Navigation Limited Common Stock Fund. The Trimble Fund sold net 61,238 shares of Common Stock for an aggregate of $0.9 million in fiscal 2003. Trimble, at its discretion, matches individual employee 401(k) Plan contributions at a rate of fifty cents of every dollar that the employee contributes to the 401(k) Plan up to 5% of the employee's annual salary to an annual maximum of $2,500. Trimble's matching contributions to the 401(k) Plan were $1.8 million in fiscal 2003, $1.8 million in fiscal 2002, and $1.7 million in fiscal 2001.

Profit-Sharing Plan

In 1995, Trimble introduced an employee profit-sharing plan in which all employees, excluding executives and certain levels of management, participate. The plan distributes to employees approximately 5% of quarterly adjusted pre-tax income. Payments under the plan during fiscal 2003, 2002 and 2001 were $2.5 million, $1.1 million, and $0.9 million, respectively.

Defined Contribution Pension Plans

Certain of the Company's European subsidiaries participate in state sponsored pension plans. Contributions are based on specified percentages of employee salaries. For these plans, Trimble contributed and charged to expense approximately $2.0 million for fiscal 2003, $1.4 million for fiscal 2002, and $1.4 million for fiscal 2001.

Defined Benefit Pension Plan

The Swedish and German subsidiaries have an unfunded defined benefit pension plan that covered substantially all of their full-time employees through 1993. Benefits are based on a percentage of eligible earnings. The employee must have had a projected period of pensionable service of at least 30 years as of 1993. If the period was shorter, the pension benefits were reduced accordingly. Active employees do not accrue any future benefits; therefore, there is no service cost and the liability will only increase for interest cost.

Net periodic benefit costs in fiscal 2003, 2002, and 2001 were not material.

The changes in the benefit obligations and plan assets of the significant non-US defined benefit pension plans for fiscal 2003 and 2002 were as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003(1)
(in thousands)		
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,972	$ 4,105
Interest cost	328	317
Benefits paid	(256)	(212)
Foreign exchange impact	1,102	814
Actuarial (gains) losses	58	(52)
Benefit obligation at end of year	6,204	4,972
Change in plan assets:		
Fair value of plan assets at beginning of year	787	731
Actual return on plan assets	29	122
Employer contribution	150	121
Plan participants' contributions	-	-
Benefits paid	(256)	(212)
Foreign exchange impact	162	24
Fair value of plan assets at end of year	872	786
Benefit obligation in excess of plan assets	5,332	4,186
Unrecognized prior service cost	-	-
Unrecognized net actuarial gain	35	25

	--	--
Accrued pension costs (included in accrued liabilities)	$ 5,297	$ 4,161

(1) Prior year's disclosure has been restated to correct for a clerical error.

Actuarial assumptions used to determine the net periodic pension costs for the year ended January 2, 2004 were as follows:

	Swedish Subsidiary	German Subsidiaries
Discount rate	5.5%	6.0%
Rate of compensation increase	2.5%	1.5%

Note 15 - Earnings Per Share:

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of potentially dilutive Common Stock.

Fiscal Years Ended	January 2, 2004	January 3, 2003
(in thousands, except per share data)		
Numerator:		
Income available to common shareholders:		
Used in basic and diluted earnings (loss) per share from continuing operations	$ 38,485	$ 10,324
Used in basic and diluted earnings per share from discontinued operations	-	-
Used in basic and diluted earnings (loss) per share	$ 38,485	$ 10,324
Denominator:		
Weighted-average number of common shares used in basic earnings (loss) per share	47,505	42,860
Effect of dilutive securities (using treasury stock method):		
Common stock options	2,058	705
Common stock warrants	449	13
Weighted-average number of common shares and dilutive potential common shares used in diluted income per share	50,012	43,578
Basic earnings (loss) per share from continuing operations	$ 0.81	$ 0.24
Basic earnings per share from discontinued operations	-	-
Basic earnings (loss) per share	$ 0.81	$ 0.24
Diluted earnings (loss) per share from continuing operations	$ 0.77	$ 0.24
Diluted earnings per share from discontinued operations	-	-
Diluted income (loss) per share	$ 0.77	$ 0.24

Due to the fact that the Company reported a net loss in fiscal 2001, options and warrants were not included in the computation of earnings per share in fiscal 2001. If the Company had reported net income in 2001, additional 1,407,000 common equivalent shares related to outstanding options and warrants would have been included in the calculation of diluted loss per share.

Note 16 - Comprehensive Income (Loss):

The components of comprehensive income (loss), net of related tax as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
Net income (loss)	$ 38,485	$10,324	$(22,879)
Foreign currency translation adjustments	31,198	17,697	(9,766)
Net gain (loss) on hedging transactions	(7)	210	(203)
Net unrealized gain (loss) on investments	74	(17)	16
Comprehensive income (loss)	$ 69,750	$28,214	$(32,832)

The components of accumulated other comprehensive (loss), net of related tax as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003
(in thousands)		
Cumulative foreign currency translation adjustments	$ 30,166	$ (1,032)
Net gain on hedging transactions	-	7
Net unrealized gain (loss) on investments	73	(1)
Accumulated other comprehensive income (loss)	$ 30,239	$ (1,026)

Note 17 - Related-Party Transactions:

Related-Party Lease

Trimble currently leases office space in Ohio from an association of three individuals, one of whom is an employee of one of the US operating units, under a non-cancelable operating lease arrangement expiring in 2011. The annual rent is subject to adjustment based on the terms of the lease. The Consolidated Statements of Operations include expenses from this operating lease of $0.35 million for fiscal 2003, fiscal 2002, and fiscal 2001.

Related -Party Notes Receivable

Trimble has notes receivable from officers and employees of approximately $0.8 million as of January 2, 2004 and $1.2 million as of January 3, 2003. The notes bear interest from 4.49% to 6.62% and have an average remaining life of 1.47 years as of January 2, 2004.

See Note 3 to the Notes to the Consolidated Financial Statements for additional information regarding Trimble's related party transactions with joint venture partners.

Note 18 - Statement of Cash Flow Data:

Fiscal Years Ended	January 2, 2004	January 3, 2003	Decembe 2001
(in thousands)			
Supplemental disclosure of cash flow information:			
Interest paid	$ 10,208	$ 12,215	$ 17,363
Income taxes paid	$ 688	$ 2,635	$ 825
Significant non-cash investing activities:			
Issuance of shares related to invest in joint venture	$ 5,922	$ -	$ -
Issuance of shares related to LeveLite earn-out payments	$ 1,349	$ 336	$ -

Note 19 - Litigation:

From time to time, the Company is involved in litigation arising out of the ordinary course of its business. There are no known claims or pending litigation expected to have a material effect on the Company's overall financial position, results of operations, or liquidity.

Note 20 - Selected Quarterly Financial Data (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fo Qu
(in thousands, except per share data)				
Fiscal 2003				
Revenue	$ 127,325	$ 138,132	$ 139,569	$ 13
Gross margin	61,755	71,095	69,112	6
Net income	5,353	8,105	9,936	1
Basic net income per share	0.12	0.17	0.20	
Diluted net income per share	0.12	0.16	0.19	
Fiscal 2002				
Revenue	$ 104,029	$ 123,256	$ 114,748	$ 12
Gross margin	54,333	60,951	57,581	6
Net income (loss)	(715)	4,326	2,708	
Basic net income (loss) per share	(0.02)	0.10	0.06	
Diluted net income (loss) per share	(0.02)	0.10	0.06	

Significant quarterly items for fiscal 2003 include the following: (i) in the first quarter of 2003 a $0.4 million charge or $0.01 per diluted share relating to workforce reduction; (ii) in the second quarter of 2003 a $0.7 million charge, or $0.01 per diluted share relating to work force reduction and $3.6 million of interest expenses, or $0.07 per diluted share relating to the Company's debt refinancing; (iii) in the third quarter of 2003 a $0.6 million charge, or $0.01 per diluted share relating to work force reduction; (iv) in the fourth quarter of 2003 a $0.3 million charge, or less than $0.01 per diluted share relating to work force reduction.

Significant quarterly items for fiscal 2002 include the following: (i) in the first quarter of 2002 a $0.3 million charge or $0.01 per diluted share relating to workforce reduction; (ii) in the second quarter of 2002 a $0.2 million charge, or less than $0.01 per diluted share relating to work force reduction; (iii) in the third quarter of 2002 a $0.2 million charge, or less than $0.01 per diluted share relating to work force reduction and a $0.2 million gain, or less than $0.01 per diluted share relating to the sale of an investment; (iv) in the fourth quarter of 2002 a $0.5 million charge, or $0.01 per diluted share relating to work force reduction and a $1.5 million charge, or $0.03 per diluted share relating to the write-down of an investment.

Note 21 - Subsequent Events

3-for-2 Stock Split

Trimble's Board of Directors approved a 3-for-2 split of all outstanding shares of the Company's Common Stock, payable March 4, 2004 to stockholders of record on February 17, 2004. Cash will be paid in lieu of fractional shares. All share and per share information have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders, Trimble Navigation Limited

We have audited the accompanying Consolidated Balance Sheets of Trimble Navigation Limited as of January 2, 2004 and January 3, 2003, and the related Consolidated Statements of Operations, Shareholders' Equity, and Cash Flows for each of the three years in the period ended January 2, 2004. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and schedule referred to above present fairly, in all material respects, the consolidated financial position of Trimble Navigation Limited at January 2, 2004 and January 3, 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 2, 2004, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective December 29, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ Ernst & Young LLP

January 23, 2004
Palo Alto, California

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIMBLE NAVIGATION LIMITED

By: /s/ Steven W. Berglund

Steven W. Berglund,
President and Chief Executive Officer

March 25, 2004

EXHIBIT INDEX

Exhibit
Number

23.1 Consent of Ernst & Young LLP, independent auditors.

31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of

2002.

32.1 Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.