



# **Geotechnical Engineering & Marine Surveys Limited**

Registered No: 04620798

## **Annual Report and Financial Statements**

for the year ended 31 December 2010



# Geotechnical Engineering & Marine Surveys Limited

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## REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2010

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# Geotechnical Engineering & Marine Surveys Limited

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## DIRECTORS AND ADVISERS

### **DIRECTORS**

R H Lyons

A C Tompkins (appointed 9 May 2011)

J E J Deschuyter (resigned 10 November 2010)

A C S Wright (resigned 28 March 2011)

### **SECRETARY**

R B Metters

### **REGISTERED OFFICE**

8 Riverside Court

Lower Bristol Road

Bath

BA2 3DZ

### **BANKERS**

KBC Bank NV

London Branch

5<sup>th</sup> Floor

111 Old Broad Street

London

EC2N 1BR

Fortis Bank SA/NV

UK Branch

5 Aldermanbury Square

London

EC2V 7HR

### **AUDITOR**

Deloitte LLP

Bristol

# Geotechnical Engineering & Marine Surveys Limited

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## DIRECTORS' REPORT

for the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

### PRINCIPAL ACTIVITY

The principal activity of the Company is geotechnical and marine survey consultancy

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors report a positive performance for 2010, with an increase in turnover being driven by an increase in the number of projects being undertaken.

The Directors consider that the key performance indicators of the Company are turnover, gross profit, and operating profit, all of which are shown in the profit and loss account on page 10. Whilst revenue increased from £15,700,000 to £23,300,000 in the period, the gross margin achieved reduced from 29% to 14%. This lower level of performance can be attributed to one project which incurred a loss of approximately €2.0m (£1.7m). Adjusting for this would have seen the remaining business report a comparable gross margin to that achieved in 2009. A reduction in administrative expenses compared to 2009 allowed the Company to achieve an operating profit of £1,882,000 compared to £2,696,000 in 2009. The profit in the year results in an increase in the net assets position of the Company from £2,643,000 to £3,675,000.

Poor performance on a number of contracts within other Group companies was sufficient to cause substantial liquidity issues for the wider Gems Group, culminating in a change of ownership of the business on 3 March 2011 when the entire Group was acquired by Rutland Partners LLP ("Rutland"). Rutland is a UK based private equity business which specialises in "turnaround" business situations providing funding firstly to stabilise businesses and secondly to support the growth plans of the businesses they have acquired.

As part of the acquisition Rutland invested an initial €16.0m (£13.8m). Subsequently a further €6.0m (£5.2m) has been invested at Group level to allow a number of strategic investments to be undertaken to strengthen the Group's trading position for the future. This investment has included the refurbishment of the Albatross and the Investigator, two vessels owned by the Group, and operated exclusively on Geotechnical Engineering and Marine Surveys Limited projects. These refurbishments will ensure the revenue generating capability of these vessels for the next five years. Rutland's investment has taken the form of long term debt with no requirement for repayment until 2018. As an integral part of the Group's operations, the Company will benefit significantly from the new financing structure of the Group.

The focus of activities in 2011 has been on stabilising financial performance and securing contracts in core sectors of oil and gas and wind farms. This will continue into 2012. Core regions will remain West Africa and Northern Europe and opportunities in emerging markets such as the Caspian region being explored.

The Company balances its risk profile by operating Group owned vessels (the Albatross and Investigator) and then combining the use of formal charter party arrangements for vessels and renting vessels of opportunity. This provides the Company with a core capability that is directly controlled and the flexibility to respond to market opportunities that arise.

Confirmation has been obtained from Group that support is expected to be provided as required, and that there are no plans to liquidate the company or to materially curtail the scale of its operations. It is therefore assumed that the Company will remain an integral part of the Group's operations and future strategic growth plans. Confirmation has also been received from Rutland that they expect to continue to provide the necessary financial support to Gems International NV and all of the subsidiaries.

# Geotechnical Engineering & Marine Surveys Limited

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## DIRECTORS' REPORT

for the year ended 31 December 2010 - continued

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including price risk, credit risk, foreign exchange risk and liquidity risk. The Company does not use derivative financial instruments for speculative purposes.

#### *Foreign exchange risk*

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company's policy is to match the currencies of its contracts costs and revenues wherever possible, in order to minimise this risk.

#### *Credit risk*

The Company's principal financial assets are cash, trade, and other receivables.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Although the Company's credit risk is concentrated in a small number of customers and counterparties, the parties involved are large well established multinational organisations, which the Directors consider minimises the Company's exposure.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance, which are secured through the parent Company.

#### *Price risk*

The Company has minimal exposure to commodity price risk, and as such the Company does not manage its exposure to commodity price risk due to cost benefit considerations.

### GOING CONCERN

After making due enquiries, the Directors expect that the Company will have adequate resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements.

The Company made a profit before tax of £1,889,826 in the year and is in a net asset position of £3,674,699. The Company is party to Group funding arrangements and has received confirmation that the ultimate parent company has no plans to liquidate the company or to materially curtail the scale of its operations. Confirmation has also been received that the ultimate parent company expects to continue to provide the necessary financial support to the Group and subsidiaries for at least 12 months from the date of approval of the Group and Company financial statements.

The Group debt facilities made available to the Group in March 2011 include a twelve month standstill agreement. As a result, although the original term of the debt does not expire in this timeframe, there has always been the expectation that the Group will renegotiate its debt facilities during Q1 2012, and so the Group is in the process of renegotiating its debt facilities. The Directors consider this to be a normal financing transaction and are not aware of any reason why this process should not be completed satisfactorily. The Directors consider the relationships with the funding providers to be good and have no expectation that funding will be withdrawn. The Group has made all repayments on the existing debt during 2011 and there are no covenants on the existing debt. Current forecasting indicates that increased funding may be required, the Directors expect that this will be provided either as part of the renegotiated debt facilities or as part of the support from the ultimate parent company.

# Geotechnical Engineering & Marine Surveys Limited

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## DIRECTORS' REPORT

for the year ended 31 December 2010 - continued

The Directors acknowledge the uncertainties facing the Company in 2012, but for the reasons above continue to prepare the accounts on a going concern basis. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

In the circumstances, the auditors have drawn attention to the uncertainties in their audit report.

### DIVIDENDS

No dividend has been paid or proposed for share holdings during 2010 as at the date of approval of these financial statements (2009 interim dividend £900,000).

### DIRECTORS

The directors in office during the period and subsequently are as listed on page 3.

### OVERSEAS BRANCHES

The company has an overseas branch in Egypt.

### EMPLOYEE INVOLVEMENT

Arrangements are in existence for regular consultations with employees or their representatives to ensure that employees are kept informed and consulted on all relevant matters.

### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming annual general meeting.

By order of the Board



R B Metters

Secretary

4 January 2012

# **Geotechnical Engineering & Marine Surveys Limited**

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## **DIRECTORS' RESPONSIBILITIES STATEMENT** for the year ended 31 December 2010

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEOTECHNICAL ENGINEERING AND MARINE SURVEYS LIMITED**

We have audited the financial statements of Geotechnical Engineering and Marine Surveys Limited for the year ended 31 December 2010 which comprise Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Directors' Report concerning the Company's ability to continue as a going concern. Although the Company made a net profit of £1,014,285 during the year ended 31 December 2010 and, at that date, was in a current asset position of £3,665,614, the Directors have an expectation that existing debt facilities will need to be renegotiated in the first quarter of 2012 and that additional facilities may be required, either as part of this renegotiation or in the form of support from the ultimate parent company. These factors, along with the other conditions explained in the Directors' Report, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEOTECHNICAL ENGINEERING AND MARINE SURVEYS (CONTINUED)**

**Matters on which we are required to report by exception**

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

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

*David Hedditch*

David Hedditch (Senior Statutory Auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

*6 January 2012*

# Geotechnical Engineering & Marine Surveys Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> £	<i>2009</i> £
<b>TURNOVER</b>	2	23,334,765	15,664,562
Cost of sales		(20,076,519)	(11,122,031)
<b>GROSS PROFIT</b>		3,258,246	4,542,531
Administrative expenses		(1,376,342)	(1,846,234)
<b>OPERATING PROFIT</b>	3	1,881,904	2,696,297
Interest receivable and similar income	4	58,381	37,527
Interest payable and similar charges	5	(50,459)	(8,913)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,889,826	2,724,911
Tax on profit ordinary activities	6	(875,541)	(916,552)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	1,014,285	1,808,359
All turnover and profits are derived from continuing operations			

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Notes</i>	<i>2010</i> £	<i>2009</i> £
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,014,285	1,808,359
<b>CURRENCY TRANSLATION DIFFERENCES ON FOREIGN CURRENCY NET INVESTMENTS</b>	12	17,462	107,374
<b>TOTAL RECOGNISED GAINS FOR THE YEAR</b>	12	1,031,747	1,915,733

The notes on pages 13 to 21 form part of these financial statements

# Geotechnical Engineering & Marine Surveys Limited

## BALANCE SHEET

as at 31 December 2010

	Notes	2010 £	2010 £	2009 £	2009 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		9,085		6,047
<b>CURRENT ASSETS</b>					
Debtors	8	7,023,350		6,444,110	
Cash at bank and in hand		51,039		361,631	
		<u>7,074,389</u>		<u>6,805,741</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(3,408,775)</u>		<u>(4,168,836)</u>	
<b>NET CURRENT ASSETS</b>			<u>3,665,614</u>		<u>2,636,905</u>
<b>NET ASSETS</b>			<u>3,674,699</u>		<u>2,642,952</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		1		1
Profit and loss account	11		<u>3,674,698</u>		<u>2,642,951</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>3,674,699</u>		<u>2,642,952</u>

The financial statements of Geotechnical Engineering & Marine Surveys Limited, registered number 04620798, were approved by the board of directors and authorised for issue on 4 January 2012



R H Lyons  
Director

# Geotechnical Engineering & Marine Surveys Limited

## CASH FLOW STATEMENT

for the year ended 31 December 2010

	Notes	2010	2010	2009	2009
		£	£	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	13		2,833,594		2,029,543
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received		58,381		37,527	
Interest paid		(50,459)		(8,913)	
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			7,922		28,614
<b>TAXATION</b>					
UK Corporation tax (paid)/received		(253,426)		16,176	
Group taxation relief receivable		(129,148)		(293,050)	
Overseas tax paid		(676,465)		(732,795)	
			(1,059,039)		(1,009,669)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire tangible fixed assets		(8,163)		(637)	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			(8,163)		(637)
<b>EQUITY DIVIDENDS PAID</b>		-		(900,000)	
			-		(900,000)
<b>NET CASH INFLOW BEFORE FINANCING</b>			1,774,314		147,851
<b>FINANCING</b>					
Inter Company Lending		(2,084,906)		(404,846)	
<b>NET CASH OUTFLOW FROM FINANCING</b>			(2,084,906)		(404,846)
<b>DECREASE IN CASH IN YEAR</b>	15		(310,592)		(256,995)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### *Accounting convention*

The accounts are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

#### *Going concern*

As described in more detail in the Directors' Report, the Directors expect that the Company will have adequate resources to continue in operational existence for the foreseeable future and, although acknowledging the uncertainties facing the Company in 2012, the Directors are satisfied that it is appropriate to continue to prepare the accounts on a going concern basis. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

#### *Fixed assets and depreciation*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Equipment, fixtures & fittings                      -                      over 3 to 5 years

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

#### *Long Term Contracts*

Turnover and related costs on each long term contract are recorded as activity progresses. Turnover is calculated on the basis of work done, and when a profitable outcome can be foreseen with reasonable certainty, includes attributable profit on the value of work completed as a proportion of the contract value. Amounts recoverable on contracts are included within debtors. Provision for losses on contracts is made in full as soon as they are foreseen.

#### *Pension costs*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss as they fall due.

#### *Leasing commitments*

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

In accordance with FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account

### 2. TURNOVER

Turnover, which is stated net of value added tax, comprises amounts receivable from one continuing activity, geotechnical and marine survey consultancy. Turnover was earned in the following regions.

	2010	2009
	£	£
United Kingdom	4,170,098	1,968,348
Rest of Europe	2,754,677	6,474,787
West Africa	9,068,533	2,886,611
North Africa	3,513,717	4,122,936
North America	-	211,880
Middle East	3,827,740	-
	<u>23,334,765</u>	<u>15,664,562</u>

Turnover of £2,813,331 (2009 - £938,903) was derived from the Egypt branch

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 3. OPERATING PROFIT

	2010 £	2009 £
This is stated after charging/(crediting)		
Depreciation of tangible fixed assets	5,155	5,543
(Gain)/loss on foreign exchange transactions	(593,584)	163,481
Directors' remuneration	152,972	136,702
Auditor's remuneration		
- for audit services	12,500	13,143
- for other services relating to taxation	4,500	4,427
Hire of plant and machinery	11,120,928	8,499,073
Operating leases – land & buildings	166,276	54,934

The above directors' emoluments were all in respect of two (2009 – two) directors. Some costs for one of the directors are borne by the parent company GEMS International NV, and it is impractical to re-allocate these to the subsidiary companies. Pension benefits were accruing for one (2009 – one) director under a money purchase scheme as at the year end.

Average number of staff employed during the year was as follows

	2010	2009
Operational staff	20	18
Administration	10	4
	<u>30</u>	<u>22</u>

Employee costs for the above employees were as follows

	2010 £	2009 £
Wages and salaries	1,253,774	784,431
Social security costs	136,735	93,904
Pension costs	55,162	42,045
	<u>1,445,671</u>	<u>920,380</u>

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Bank interest receivable	5,008	633
Interest receivable from group companies	53,373	36,894
	<u>58,381</u>	<u>37,527</u>

# Geotechnical Engineering & Marine Surveys Limited

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>
Interest payable to group companies	29,098	8,913
Other interest payable	21,361	-
	<u>50,459</u>	<u>8,913</u>



# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 6. TAX ON ORDINARY ACTIVITIES

	2010 £	2009 £
Current taxation		
UK Corporation tax for the period	490,383	293,050
Adjustment in respect of prior years	3,952	22,468
Foreign tax (relief)	(334,239)	-
	<u>160,096</u>	<u>315,518</u>
Overseas taxation	716,612	599,670
Current tax charge for period	<u>876,708</u>	<u>915,188</u>
Deferred taxation arising on origination and reversal of timing differences	(1,446)	1,364
Effects of changes in tax rates	279	-
	<u>(1,167)</u>	<u>1,364</u>
	<u>875,541</u>	<u>916,552</u>
<b>Reconciliation of tax charge</b>		
Profit per profit and loss account	<u>1,889,826</u>	<u>2,724,911</u>
UK Corporation Tax at standard rate of 28% (2009 weighted average rate of 28.5%)	529,151	776,600
Expenditure not tax allowable	203	92
Difference between depreciation and capital allowances	1,443	(446)
Pension timing differences	-	(845)
Non-creditable withholding tax	(40,415)	(100,906)
Double Taxation Relief	(334,238)	(397,860)
Higher tax rates on overseas earnings	716,612	599,670
	<u>872,756</u>	<u>876,305</u>
Adjustment in respect of prior years	3,952	38,883
Current tax charge for period	<u>876,708</u>	<u>915,188</u>

The standard rate of tax for the year is based on a UK standard rate of corporation tax of 28% (2009 weighted average rate of 28.5%)

The Company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 24% by 2015 which has not yet been enacted

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 7. TANGIBLE FIXED ASSETS

	<i>Equipment, Fixtures &amp; Fittings £</i>
Cost	
At 1 January 2010	132,432
Additions	8,163
Exchange movements	(26)
At 31 December 2010	140,569
Depreciation	
At 1 January 2010	126,385
Charge for the year	5,155
Exchange movements	(56)
At 31 December 2010	131,484
<b>Net book value at 31 December 2010</b>	<b>9,085</b>
Net book value at 31 December 2009	6,047

### 8. DEBTORS

	<i>2010 £</i>	<i>2009 £</i>
Inter company loans	1,334,557	204,494
Trade debtors	2,530,622	3,467,933
Amounts owed by group companies	300,590	434,199
Amounts owed by related parties	263,222	-
Other debtors	63,183	66,644
Prepayments and accrued income	2,523,706	2,264,537
Deferred tax asset	7,470	6,303
	<b>7,023,350</b>	<b>6,444,110</b>

The deferred tax asset has arisen on the timing differences between capital allowances and depreciation

The amounts owed by group companies and amounts owed by related parties relate to trading balances. The inter company loans balance relates to non trading balances

Included within inter company loans is an unsecured loan balance of £162,329 (2009 £204,494). Interest is receivable on this loan at Euribor +1.5%.

Included within inter company loans are unsecured balances totalling £1,172,228 (2009 £nil) on which no interest is receivable

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Inter company loans	129,148	1,083,991
Trade creditors	1,119,972	325,263
Amounts owed to group companies	874,877	2,139,587
Amounts owed to related parties	816,501	105,239
Corporation Tax	46,587	228,918
Other creditors including taxation and social security	104,394	32,572
Accruals and deferred income	317,296	253,266
	<u>3,408,775</u>	<u>4,168,836</u>

The inter company loans balance in 2010 and 2009 relates to payment due to other group companies for surrender of group taxation relief and is unsecured and non interest bearing. The amounts owed to group companies and amounts owed to related parties relate to trading balances. The inter company loans balance relates to non trading balances.

Interest on these balances is calculated on a daily basis by the bank, and recharged or credited by the parent company.

### 10. SHARE CAPITAL

	<i>Allotted, called up and fully paid</i> 2010 £	<i>Allotted, called up and fully paid</i> 2009 £
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

### 11. RESERVES

	<i>Profit and loss account</i> £
At 31 December 2008	2,380,774
Profit attributable to members of the company	1,915,733
Dividends	(900,000)
Distribution to GEMS Survey Limited	(753,556)
At 31 December 2009	<u>2,642,951</u>
Profit attributable to members of the company	1,031,747
At 31 December 2010	<u>3,674,698</u>

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Opening shareholders' funds at 1 January	2,642,952	2,380,775
Profit for the year	1,014,285	1,808,359
Equity dividend payments	-	(900,000)
Translation differences on foreign currency net investments	17,462	107,374
Distribution to GEMS Survey Limited	-	(753,556)
Closing shareholders' funds at 31 December	<u>3,674,699</u>	<u>2,642,952</u>

### 13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	1,881,904	2,696,297
Depreciation	5,155	5,543
Gain on revaluation of foreign fixed assets	(30)	(259)
Currency translation differences on foreign currency net investments	17,462	107,374
Decrease in debtors	551,990	737,279
Decrease in creditors	377,113	2,696,297
Net cash inflow from operating activities	<u>2,833,594</u>	<u>2,029,543</u>

### 14. ANALYSIS OF NET CHANGE IN (DEBT)/FUNDS

	1 January 2010 £	Cash flows £	Non-cash movements £	31 December 2010 £
Cash at bank and in hand	361,631	(310,592)	-	51,039
Inter company loans receivable	204,494	1,130,063	-	1,334,557
Inter company loans payable	(1,083,991)	954,843	-	(129,148)
Net (debt)/funds due within one year	<u>(517,866)</u>	<u>1,774,314</u>	<u>-</u>	<u>1,256,448</u>

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2010 £	2009 £
Decrease in cash in year	(310,592)	(256,995)
Cash used to decrease liquid resources	2,084,906	404,846
Net non-cash movements	-	(753,556)
Movement in net funds/(debt) in year	1,774,314	(605,705)
Net (debt)/funds at beginning of year	(517,866)	87,839
Net funds/(debt) at end of year	1,256,448	(517,866)

### 16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from full disclosure of related party transactions with 100% owned entities of the same Group. The following disclosure reflects related party transactions with entities outside of this Group.

During the year transactions with related parties took place to the following values:

	Sales 2010 £	Purchases 2010 £	Sales 2009 £	Purchases 2009 £
Redway AG	2,143	181,512	139	194,639
Chapman International Services	41,489	464,332	26,328	254,395
Norcon UK Ltd	78,005	4,100	-	-
Geoquip Marine EG	166,500	285,465	-	-
Modular Underwater Systems	-	2,653,779	-	-
	288,137	3,589,188	26,467	449,034

The analysis of the outstanding period end related party balances, as per notes 8 and 9 above, was:

	Debtors 2010 £	Creditors 2010 £	Debtors 2009 £	Creditors 2009 £
Redway AG	-	124,415	-	58,188
Chapman International Services	-	264,374	-	105,239
Norcon UK Limited	91,622	4,818	-	-
Geoquip Marine EG	171,600	223,080	-	-
Modular Underwater Systems	-	199,814	-	-
	263,222	816,501	-	163,427

Redway AG is the ultimate parent company, as referred to in note 17 below, and Chapman International Services is related by virtue of common control. All trading with related parties is conducted on an arms' length basis.

# Geotechnical Engineering & Marine Surveys Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

### 17. CONTROLLING PARTY

As at 31 December 2010, the Company's immediate parent company was Gems International NV of Belgium, and the ultimate parent company was Redway AG, a company registered in Switzerland.

The results of the Company are consolidated into the published accounts of the Gems International NV Group for the year ended 31 December 2010

Following the transaction described in note 21, since 3 March 2011, the Company's ultimate parent company has been Rutland Partners LLP. The company's immediate parent company has remained Gems International NV

### 18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company had no capital commitments or contingent liabilities at either 31 December 2010 or 31 December 2009

### 19. OPERATING LEASE COMMITMENTS

As at 31 December 2009 and 2010, the Company had the following operating lease commitments

	31 Dec 2010 £	31 Dec 2009 £
For land & buildings		
- Expiring within two to five years	166,000	55,000
	<u>166,000</u>	<u>55,000</u>

### 20. DIVIDENDS

No dividend has been proposed or paid in the year (2009: £900,000)

No final dividend has been proposed for the period ended 31 December 2010 (2009: nil)

### 21. POST BALANCE SHEET EVENTS

On 3 March 2011 the Company's parent company and the whole group were acquired by Rutland Partners LLP ("Rutland"). Rutland are a UK based private equity business who specialise in "turnaround" business situations providing funding firstly to stabilise businesses and secondly to support the growth plans of the businesses they have acquired

As part of the acquisition Rutland invested an initial €16.0m (£13.8m). Subsequently a further €6m (£5.2m) has been invested at Group level to allow a number of strategic investments to be undertaken to strengthen the Group's trading position for the future. Rutland's investment has taken the form of long term capital with no repayment due until 2018. As an integral part of the Group's operations the Company benefits significantly from the new capital base of the Group