GNS Midco 1 Limited

Report and Financial Statements

31 December 2014

Directors

M Cauter
M Robinson (resigned 2nd January 2015)
P Stanley (appointed 5th January 2015)

Secretary

M Cauter

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast, BT2 7DT

Bankers

Lloyds Bank
City Branch
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Solicitors

Travers Smith LLP
10 Snow Hill,
London EC1A 2AL

Registered Office

17 Elm Road
West Chirton
North Shields
Tyne & Wear
NE29 8SE

Registered No. 08226852

Strategic report

The directors present their strategic report for the year ended 31 December 2014.

Principal activity and review of the business

The company's principal activity during the year continued to be to provide funding for a series of acquisitions in the Marine Navigation sector.

Accrued loan note interest due to Phoenix Equity Partners Limited (the controlling party of the parent company, Global Navigation Solutions Holdings Limited) was cancelled in the year to a value of £4,159,870. This is shown as a capital contribution on the balance sheet reserves and equity.

The company balance sheet shows net current and total assets, however the company's main assets are intercompany receivables. The directors are relying on the ongoing support of the parent company to meet its liabilities as they fall due. Accordingly the directors have prepared the financial statements on a going concern basis.

During the year the loan notes were listed on the Channel Islands Securities exchange in Jersey.

Management has reviewed the key performance indicators during the year and is satisfied with the results.

	Year ended 31 December 2014	*Period ended 31 December 2013*
Interest payable	206,307	4,186,500
Loss after taxation	(225,469)	(4,186,500)
Equity shareholder funds/(deficit)	549,583	(3,450,418)
Number of acquisitions in period	–	3

Principle risks and uncertainties

The company's ability to repay the loan notes is dependent upon the cash generating companies within the group, therefore the risks the company faces are considered to be the same as that of the group.

The group has a policy in place to evaluate risks. The principle risks facing the group are broadly grouped as: competitive and financial risks which include price, credit, liquidity and cashflow risks.

Competitive risks

Competition from both national and international distributors and agents as well as the increasing digitalisation of the sector potentially gives the group risk.

Exposure to price, credit, liquidity and cashflow risk

Annual price increases from the manufacturer are normal in the business and will affect all distributors of the product. The group passes on the price increase to the customer as do all of its competitors.

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the group, as and when they fall due.

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by management.

Strategic report (continued)

Principle risks and uncertainties (continued)

Exposure to price, credit, liquidity and cashflow risk (continued)

The group monitors its liquidity risk and maintains a mixture of long-term and short-term debt finance that is designed to ensure that it has sufficient available funds for operations and planned expansions. It monitors its liquidity risk and maintains a level of cash and equivalents that is deemed adequate by the Board to finance the group's operations and to mitigate the effects of fluctuations in cash flows.

The group aims to mitigate these risks by having in place risk management policies that identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Approved by the Board on and signed on its behalf by:

Michael Cauter

Secretary

Date 30th JUNE 2015

Directors' report

The directors present their report for the year ended 31 December 2014.

Results and dividends

The loss for the year after taxation amounted to £225,469 (15 months period ended 31 December 2013 – loss of £4,186,500). The directors do not recommend a final dividend (15 months period ended 31 December 2013 – £nil).

Future developments

As part of a group of companies whose parent company is Global Navigation Solutions Holdings Limited, the company is part of the group structure to fund acquisitions in the marine services sector and hold loan notes for the investment of these acquisitions. The group will continue to look at investment opportunities together with organic growth and aims to deliver shareholder value within a period of 3-5 years.

Directors

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

M Cauter
M Robinson (resigned 2nd January 2015)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

By order of the Board

Michael Cauter
Secretary
Date: 30th JUNE 2015

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 auditors' report

to the members of GNS Midco 1 Limited

We have audited the financial statements of GNS Midco 1 Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 15. 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 (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its loss 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.

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 auditors' report

to the members of GNS Midco 1 Limited

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.

Ernst & Young LLP

Keith M Jess (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 3 July 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Administrative expenses		(19,162)	–
Operating loss	3	(19,162)	–
Interest payable and similar charges	4	(206,307)	(4,186,500)
Loss on ordinary activities before taxation		(225,469)	(4,186,500)
Tax charge	5	–	–
Loss for the financial year	12	(225,469)	(4,186,500)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £225,469 in the year ended 31 December 2014 (15 month period ended 31 December 2013 – loss of £4,186,500).

Balance sheet

at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Investments	6	736,082	736,082
		736,082	736,082
Current assets			
Debtors	7	39,517,435	38,917,435
Current liabilities			
Creditors	8	(84,884)	–
Net current assets		39,432,551	38,917,435
Creditors: amounts falling due after more than one year	9	(39,619,050)	(43,103,935)
Net assets/(liabilities)		549,583	(3,450,418)
Capital and reserves			
Called up share capital	11	7,361	7,361
Share premium	13	728,721	728,721
Profit and loss account	12	(186,499)	(4,186,500)
Shareholders' funds/(deficit)	13	549,583	(3,450,418)

Michael Cauter

Director

Date: 30th JUNE 2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

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

Going concern

The company balance sheet shows net current and total assets, however the company's main assets are intercompany receivables. The directors are relying on the ongoing support of the parent company to meet its liabilities as they fall due. Accordingly the directors have prepared the financial statements on a going concern basis.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows.

Consolidation exemption

The company has taken advantage of the exemption available under FRS 1 and section 402 of Companies Act 2006 not to prepare group financial statements on the grounds that it is a wholly owned subsidiary and its parent undertaking produces a set of publically available group financial statements.

Interest payable on loans

Accrued loan note interest due to Phoenix Equity Partners Limited (the controlling party of the parent company, Global Navigation Solutions Holdings Limited) was cancelled in the year to a value of £4,159,870. This is shown as a capital contribution on the balance sheet reserves and equity. In addition there was no charge on the same loan notes for the year ending 31st December 2014.

Loan notes due to company management have an accrued interest due on them that is rolled over until the loan notes are repaid. In addition two directors of the parent company left the business and the loan note interest was cancelled. This has also been shown as an equity transaction.

Investments

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

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that 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 an undiscounted or a 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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Financial Instruments

Debt instruments are stated at an amount equal to proceeds less associated issue costs. Issue costs of the debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying value.

2. Directors' remuneration

During the year, no director received any remuneration from the company. The cost of time incurred by directors of the Company is deemed negligible.

3. Operating loss

	2014	2013
	£	£
Professional fees	19,162	–

4. Interest payable and similar charges

	2014	2013
	£	£
Interest on loan notes	206,307	4,186,500

Notes to the financial statements

at 31 December 2014

5. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2014	*2013*
	£	*£*
Current tax:		
Total current tax (note 5 (b))	–	–
Deferred tax:		
Total deferred tax	–	–
Tax on loss on ordinary activities	–	–

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 24%). The differences are explained below:

	2014	*2013*
	£	*£*
Loss on ordinary activities before tax	(225,469)	(4,186,500)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	(48,476)	(1,119,836)
Effects of:		
Disallowed expenses	59,093	887,336
Group relief for no payment	(10,617)	58,358
Loss not utilised	–	174,143
Current tax for the year (note 5 (a))	–	–

Notes to the financial statements

at 31 December 2014

6. Investments

	Subsidiary undertakings
	£
Cost:	
At 1 January 2014	736,082
Additions	–
At 31 December 2014	736,082
Impairment:	
At 1 January 2014 and 31 December 2014	–
Net book value:	
At 1 January 2014 and 31 December 2014	736,082

The company had the following investment in subsidiary at the year end:

Name	*Country of incorporat-ion*	*Class of shares held*	*Percentage held*	*Nature of business*
GNS Midco 2	England	Ordinary	100%	Intermediary parent undertaking

7. Debtors

	2014	*2013*
	£	*£*
Amounts due from group undertakings	39,517,435	38,917,435

8. Creditors: amounts falling due within one year

	2014	*2013*
	£	*£*
Other creditors	84,884	–

Notes to the financial statements

at 31 December 2014

9. Creditors: amounts falling due after one year

	2014	*2013*
	£	*£*
Loan notes	37,818,791	37,333,896
Amounts payable to group undertakings	736,082	736,082
Accrued interest on loan notes	33,481	4,112,974
Accrued interest on preference shares	183,239	73,526
Preference shares (see below)	847,457	847,457
	39,619,050	43,103,935

The loan notes have been issued by investors and management to fund a series of acquisitions in the Marine Navigation sector. During the year the loan notes were listed on the Channel Islands Securities exchange in Jersey.

Interest is accrued at a rate and payable at the same time as the loan notes are repaid. The interest due to the controlling party of the parent company for 2013 and 2014 was cancelled in the period.

All liabilities are expected to be settled within 3-5 years.

Preference share capital

		2014		*2013*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Redeemable cumulative preference shares of £1 each	847,457	847,457	847,457	847,457

The redeemable cumulative preference shares accrue a fixed cumulative preferential dividend at an agreed annual percentage rate of the issue price. On a winding up the holders do not have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. Each preference share entitles the holder to one vote per share. The shares are not redeemable until such time as the company changes ownership.

10. Financial instruments

The Company's principle financial instruments comprise loan notes and preference shares. The main purpose of these financial instruments was to fund the initial acquisitions of GNS Acquisitions Limited.

Other financial instruments comprise amounts owed to and from other group undertakings and accruals. The man purpose of these financial instruments is to support the day to day operations of the Company and to facilitate the servicing of debt.

An explanation of the Company's main risks arising from financial instruments, and the related policies to manage these risks can be found in the Strategic Report.

The disclosures below exclude short term debtors and creditors.

Notes to the financial statements

at 31 December 2014

10. Financial instruments (continued)

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities, excluding issue costs of the Company as at 31 December 2014 is as follows:

	Total £	*Fixed rate* £	*Floating rate* £
2014			
Sterling	38,666,239	38,666,239	–
2013			
Sterling	38,181,353	38,181,353	–

	Weighted average interest rate %	*Weighted average period for which rate is fixed years*	*Weighted average period for liabilities on which no interest is charged years*
2014			
Sterling	12.0	12.0	–
2013			
Sterling	12.0	12.0	–

The split of fixed and floating rate borrowings and the maturity profile of liabilities is in line with the directors' targets.

Interest rate risk profile of financial assets

The Company has no long term financial assets.

Currency exposures

The Company has no exposure to currency risks.

Notes to the financial statements

at 31 December 2014

10. Financial instruments (continued)

Undrawn committed borrowing facilities

The Company has various borrowing facilities available to it. The undrawn committed facilities available at the balance sheet date in respect of which all conditions precedent had been met at the date are as follows:

	2014	*2013*
	£000	*£000*
Expiring in one year or less	5,000,000	5,000,000
Expiring in more than 2 years but less than 5 years	-	-

Fair values of financial assets and liabilities

In the opinion of the directors the fair value of each category of the financial assets and liabilities does not materially differ from the book values. The company has not entered into any hedging arrangements.

11. Issued share capital

		2014		*2013*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	7,361	7,361	7,361	7,361

12. Movements on reserves

	Profit and loss account
	£
At 1 January 2014	(4,186,500)
Loss for the year	(225,469)
Capital contribution (see note below)	4,225,470
At 31 December 2014	(186,499)

Accrued interest of £4,159,870 on loan notes due to the controlling party of the parent company arising in 2013 and 2014 was waived in the current year. A further £65,600 of accrued interest on loan notes due to management of the parent company arising in 2013 and 2014 was also waived in the current year. These waivers by shareholders in the parent company are deemed capital contributions to the company and credited directly to the profit and loss account.

Notes to the financial statements

at 31 December 2014

13. Reconciliation of shareholders' funds

	Share capital	*Share premium*	*Profit and loss account*	*Total*
	£	*£*	*£*	*£*
At 1 January 2014	7,361	728,721	(4,186,500)	(3,450,418)
Loss for the year	–	–	(225,469)	(225,469)
Capital contribution (see note below)	–	–	4,225,470	4,225,470
At 31 December 2014	7,361	728,721	(186,499)	549,583

Accrued interest of £4,159,870 on loan notes due to the controlling party of the parent company arising in 2013 and 2014 was waived in the current year. A further £65,600 of accrued interest on loan notes due to management of the parent company arising in 2013 and 2014 was also waived in the current year. These waivers by shareholders in the parent company are deemed capital contributions to the company and credited directly to the profit and loss account.

14. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other wholly owned subsidiaries of Global Navigation Solutions Holdings Limited.

15. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Global Navigation Solutions Holdings Limited, a company incorporated in the United Kingdom. Global Navigation Solutions Holdings Limited has no controlling party itself, rather being controlled by its directors. Copies of the financial statements of Global Navigation Solutions Holdings Limited can be obtained from 17 Elm Road, West Chirton, North Shields, Tyne & Wear NE29 8SE