

GeoAcoustics Limited

**Report and Financial Statements
For the year ended 31 December 2009**

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GeoAcoustics Limited

Company Information

| | |
|--------------------------|--|
| Directors | R A Klepaker A Olsen N Riahi K H Pedersen |
| Company secretary | J Hailes |
| Company number | 2571389 |
| Registered office | Shuttleworth Close Gapton Hall Industrial Estate Great Yarmouth Norfolk NR31 0NQ |
| Auditors | Ernst & Young LLP Compass House 80 Newmarket Road Cambridge CB5 8DZ |

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Directors' Report
For the year ended 31 December 2009

Registered Number 2571389

The directors present their report and the financial statements for the year ended 31 December 2009

The directors' report has been prepared in accordance with the small companies regime

Principal activities

The principal activities of the company continued to be that of the manufacture and supply of seabed survey equipment

Business review

2009 in general was a tough year for GeoAcoustics Limited. The financial crisis appeared to have a delayed effect in the survey market which meant that for the period after the significant reduction in oil prices at the start of the year (down to \$40/barrel from a peak of over \$100/barrel) investment in oil and gas exploration reduced significantly. The price is currently running at around twice this value, and there were good signs of recovery in the survey market towards the end of 2009, and this appears to be ongoing.

The general economic crisis has also affected government contracts and funding for large organizations which had been expected to place several GeoSwath orders in 2009. The future here is still uncertain.

In addition the launch of the new digital product range was significantly delayed, as software problems took longer to resolve than expected. As much of the plan for 2009 included sales from these new products, there was only a limited contribution to income from these products during 2009.

Work on refurbishing the building was also completed in 2009, with significant costs involved in roof replacement. This resulted in a significant charge to overheads.

The Indian branch and Singapore subsidiary undertaking showed reduced growth/profit in 2009.

However, despite the overall downturn - which in general was industry wide, we were able to slightly increase sales of our traditional analogue products, and maintain sales of GeoSwath. One explanation may be because customers became increasingly price sensitive. We were able to finish development of the new products thanks to Kongsberg's enlightened attitude towards product development and their understanding of technical issues. In addition some significant orders for 2010 and 2011 were placed, and some key 2009 contracts which appeared imminent have now been finalised in early 2010.

We also finished the integration of GeoSwath for the Hydroid "Remus 100" Autonomous Underwater Vehicle, and successfully obtained survey quality data. Hydroid were also acquired by Kongsberg in 2008, and this integration is seen as completion of a major step in their plans for AUV dominance, as Remus 100 is the clear market leader with 100+ sales. This will almost certainly add considerable sales income in 2011.

The underperformance of sales was also offset to some degree by a significant reduction in overall costs in 2009 compared with 2008.

Results

The loss for the year, after taxation, amounted to £114,929 (eight month period to 31 December 2008 - profit £110,803)

Directors' Report
For the year ended 31 December 2009

Directors

The directors who served during the year were

R A Klepaker
A Olsen
N Riah
K H Pedersen

Events since the end of the year

The directors have decided to transfer the trade, assets and liabilities of the Indian branch at net book value to a fellow group undertaking during 2010

Going concern

On the basis of the directors' assessment of the financial position of the company they have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future and will be able to meet its obligations as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Qualifying third party indemnity provisions

The company has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company and of any subsidiary. This cover, together with that taken out by certain subsidiaries, where relevant, indemnifies all employees of the group who serve on the boards of all subsidiaries. These indemnity policies subsisted throughout the year and remain in place at the date of this report

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information


Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on
signed on its behalf

16 August 2010

and


J Hailes
Secretary

**Statement of directors' responsibilities
for the period ended 31 December 2009**

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 GeoAcoustics Limited

We have audited the financial statements of GeoAcoustics Limited for the year ended 31 December 2009, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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.

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 2009 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.

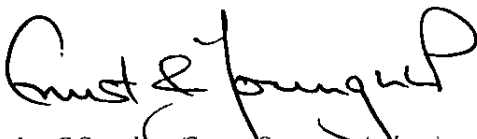
Opinion on other matter prescribed by the Companies Act 2006

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.

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, or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime.



*Ian C Strachan (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge*

25 August 2010

**Profit and loss account
for the year ended 31 December 2009**

| | <i>Note</i> | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|---|-------------|--|--|
| Turnover | 1,2 | 3,688,085 | 2,933,239 |
| Cost of sales | | <u>(1,999,967)</u> | <u>(1,599,204)</u> |
| Gross profit | | 1,688,118 | 1,334,035 |
| Selling and distribution costs | | (561,486) | (364,625) |
| Administrative expenses | | (1,310,890) | (798,407) |
| Other operating income | 3 | <u>6,780</u> | <u>4,482</u> |
| Operating (loss)/profit | 4 | (177,478) | 175,485 |
| Interest receivable | | 17,637 | 4,170 |
| Interest payable | 8 | <u>(17,933)</u> | <u>(28,636)</u> |
| (Loss)/profit on ordinary activities before taxation | | (177,774) | 151,019 |
| Tax on (loss)/profit on ordinary activities | 9 | <u>62,845</u> | <u>(40,216)</u> |
| (Loss)/profit for the financial year | 20 | <u>(114,929)</u> | <u>110,803</u> |

All amounts relate to continuing operations

The notes on pages 9 to 23 form part of these financial statements

**Statement of total recognised gains and losses
for the year ended 31 December 2009**

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|--|--|--|
| <i>(Loss)/profit for the financial year</i> | (114,929) | 110,803 |
| Exchange difference on retranslation of net assets of branch | <u>1,070</u> | <u>(9,526)</u> |
| <i>Total recognised gains and losses relating to the year</i> | <u><u>(113,859)</u></u> | <u><u>101,277</u></u> |

**Note of historical cost profits and losses
for the year ended 31 December 2009**

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|--|--|--|
| <i>Reported (loss)/profit on ordinary activities before taxation</i> | (177,774) | 151,019 |
| Realisation of valuation gains of previous periods | (1,185) | - |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | <u>7,195</u> | <u>4,006</u> |
| <i>Historical cost (loss)/profit on ordinary activities before taxation</i> | <u><u>(171,764)</u></u> | <u><u>155,025</u></u> |
| <i>Historical cost (loss)/profit for the year after taxation</i> | <u><u>(108,919)</u></u> | <u><u>114,809</u></u> |

The notes on pages 9 to 23 form part of these financial statements

Balance sheet
as at 31 December 2009
Registered number 2571389

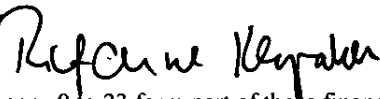
| | <i>Note</i> | <i>£</i> | <i>2009</i> | <i>£</i> | <i>2008</i> | <i>£</i> |
|---|-------------|------------------|------------------|--------------------|------------------|----------|
| | | | <i>£</i> | | <i>£</i> | |
| Fixed assets | | | | | | |
| Intangible fixed assets | 10 | | 1,848,623 | | 1,928,897 | |
| Tangible fixed assets | 11 | | 1,387,943 | | 1,433,752 | |
| Fixed asset investments | 12 | | <u>40,250</u> | | <u>40,250</u> | |
| | | | 3,276,816 | | 3,402,899 | |
| Current assets | | | | | | |
| Stocks | 13 | 969,694 | | 631,163 | | |
| Debtors | 14 | 324,570 | | 1,174,182 | | |
| Cash at bank and in hand | | <u>175,912</u> | | <u>5,061</u> | | |
| | | 1,470,176 | | 1,810,406 | | |
| Creditors amounts falling due within one year | 15 | <u>(972,553)</u> | | <u>(1,173,932)</u> | | |
| Net current assets | | | <u>497,623</u> | | <u>636,474</u> | |
| Total assets less current liabilities | | | 3,774,439 | | 4,039,373 | |
| Creditors , amounts falling due after more than one year | 16 | | (342,865) | | (459,736) | |
| Provisions for liabilities | | | | | | |
| Deferred tax | 17 | - | | (32,434) | | |
| Other provisions | 18 | <u>(102,480)</u> | | <u>(104,250)</u> | | |
| | | | <u>(102,480)</u> | | <u>(136,684)</u> | |
| Net assets | | | <u>3,329,094</u> | | <u>3,442,953</u> | |

Balance sheet (continued)
as at 31 December 2009
Registered number 2571389

| | <i>Note</i> | <i>2009</i> £ | <i>2008</i> £ |
|-----------------------------|-------------|------------------|------------------|
| Capital and Reserves | | | |
| Called up share capital | 19 | 730 | 730 |
| Revaluation reserve | 20 | 966,644 | 972,654 |
| Capital redemption reserve | 20 | 300 | 300 |
| Profit and loss account | 20 | <u>2,361,420</u> | <u>2,469,269</u> |
| Shareholders' funds | 21 | <u>3,329,094</u> | <u>3,442,953</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on *16 August*
2010

R A Klepaker
Director



K H Pedersen
Director



The notes on pages 9 to 23 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2009

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with applicable accounting standards

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

1.2 Cash flow

The company, being a subsidiary undertaking where 100% of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax.

1.4 Research and development

Research and development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised so as to write off the capitalised costs less estimated residual value, on the straight line basis over the anticipated life of five years of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased, or to be in doubt, the balance of any related research and development is written off to the profit and loss account. The nature of the products is becoming computer based, leading to potentially shorter useful working lives. The life cycles of the products are reviewed and written off over a shorter period where appropriate.

Intellectual property rights are capitalised at cost and amortised over three years.

Notes to the financial statements
For the year ended 31 December 2009

1 Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets (excluding land which is not depreciated), less their estimated residual value, over their expected useful lives on the following bases

| | | |
|---------------------------------|---|-------------|
| Freehold buildings | - | Fifty years |
| Plant & machinery | - | five years |
| Motor vehicles | - | Four years |
| Furniture, fixtures & equipment | - | Five 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

1.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

1.7 Investments

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

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Notes to the financial statements
For the year ended 31 December 2009

1 Accounting policies (continued)

1.10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.13 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.14 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch of the goods.

Notes to the financial statements

For the year ended 31 December 2009

2. Turnover

A geographical analysis of turnover is as follows

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|----------------|--|--|
| United Kingdom | 760,603 | 846,170 |
| Rest of Europe | 838,358 | 686,092 |
| USA | 241,398 | 61,374 |
| Canada | 900 | 12,740 |
| Asia | 1,528,378 | 914,224 |
| Australia | - | 139,757 |
| Rest of world | 318,448 | 272,882 |
| | <u>3,688,085</u> | <u>2,933,239</u> |

3 Other operating income

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|------------------------|--|--|
| Other operating income | 75 | 100 |
| Net rents receivable | 6,705 | 4,382 |
| | <u>6,780</u> | <u>4,482</u> |

4 Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---|--|--|
| Amortisation of intellectual property | 101,682 | 66,281 |
| Amortisation of deferred research and development expenditure | 313,032 | 196,061 |
| Depreciation of tangible fixed assets | | |
| - owned by the company | 72,365 | 39,772 |
| - held under finance leases | 28,854 | 29,821 |
| Operating lease rentals | | |
| - other operating leases | 10,553 | 5,708 |
| Difference on foreign exchange | 66,138 | (70,425) |
| Research and development expenditure written off | 221,019 | 17,385 |
| Profit on disposal of fixed assets | (2,563) | (216) |

Notes to the financial statements
For the year ended 31 December 2009

5. Auditors' remuneration

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|--|--|--|
| Fees payable to the company's auditor for the audit of the company's annual accounts | <u>15,000</u> | <u>15,000</u> |

6 Staff costs

Staff costs, including directors' remuneration, were as follows

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|-----------------------|--|--|
| Wages and salaries | 1,212,937 | 767,963 |
| Social security costs | 107,272 | 74,018 |
| Other pension costs | 37,885 | 73,771 |
| | <u>1,358,094</u> | <u>915,752</u> |

The average monthly number of employees, including the directors, during the year was as follows

| | <i>Year</i> <i>31 December</i> 2009 <i>No</i> | <i>Eight month period</i> <i>31 December</i> 2008 <i>No</i> |
|-------------------------------|--|--|
| Production | 10 | 12 |
| Engineering | 10 | 10 |
| Marketing and sales | 6 | 8 |
| Management and administration | 11 | 10 |
| | <u>37</u> | <u>40</u> |

Notes to the financial statements
For the year ended 31 December 2009

7. Directors' remuneration

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---|--|--|
| Emoluments | - | <u>123,938</u> |
| Company pension contributions to money purchase pension schemes | - | <u>25,875</u> |
| Compensation for loss of office | - | <u>30,000</u> |

During the year retirement benefits were accruing to no directors (2008 - 3) in respect of money purchase pension schemes

8 Interest payable

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---|--|--|
| On bank loans and overdrafts | 8,210 | 18,978 |
| On other loans | 56 | 131 |
| On finance leases and hire purchase contracts | 5,050 | 6,777 |
| On loans from group undertakings | 4,617 | 2,750 |
| | <u>17,933</u> | <u>28,636</u> |

Notes to the financial statements
For the year ended 31 December 2009
9 Taxation

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|--|--|--|
| <i>Analysis of tax (credit)/charge in the year/eight month period</i> | | |
| <i>Current tax (see note below)</i> | | |
| Adjustments in respect of prior periods | (9,632) | - |
| | <u>(9,632)</u> | <u>-</u> |
| UK tax paid on behalf of overseas subsidiary | - | 4,000 |
| | <u>(9,632)</u> | <u>4,000</u> |
| Foreign tax on income for the year/eight month period | - | 12,500 |
| | <u>(9,632)</u> | <u>16,500</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | 17,712 | 85,654 |
| Tax losses utilised | <u>(70,925)</u> | <u>(61,938)</u> |
| <i>Total deferred tax (see note 17)</i> | <u>(53,213)</u> | <u>23,716</u> |
| <i>Tax on (loss)/profit on ordinary activities</i> | <u>(62,845)</u> | <u>40,216</u> |

Notes to the financial statements

For the year ended 31 December 2009

9 Taxation (continued)

Factors affecting tax charge for the year/eight month period

The tax assessed for the year/eight month period is higher than (2008 - lower than) the standard rate of corporation tax in the UK (28%). The differences are explained below

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|---|--|--|
| (Loss)/profit on ordinary activities before tax | <u>(177,774)</u> | <u>151,019</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 28%) | (49,777) | 42,285 |
| Effects of | | |
| Expenses not deductible for tax purposes | 2,800 | 9,776 |
| Depreciation in excess of capital allowances | 14,250 | 8,015 |
| Utilisation of tax losses | - | (14,597) |
| Tax losses carried forward | 40,860 | - |
| Foreign tax payable | - | 12,500 |
| Adjustments to tax charge in respect of prior periods | (9,632) | - |
| Uplift of allowance for research and development | (52,653) | (88,669) |
| Group relief for no consideration | 38,920 | - |
| UK Corporation Tax paid on behalf of overseas subsidiary | - | 4,000 |
| Short term timing differences | 5,600 | 43,190 |
| Current tax (credit)/charge for the year/eight month period (see note above) | <u>(9,632)</u> | <u>16,500</u> |

Factors that may affect future tax charges

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have a significant effect on the company's future tax position. As at 31 December 2009, the tax changes announced in the Budget had not yet been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the company's financial statements as at 31 December 2009.

The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. The effect of the reduction in the tax rate to 24% on the company's deferred tax asset would be to reduce the deferred tax asset by £2,852. The rate change will also impact the amount of the future cash tax payment to be made by the company.

The budget also proposed a decrease in the rate of capital allowances of 2% on main pool and special rate pool assets.

The effect on the company of these proposed changes to the UK tax system will be reflected in the company's financial statements for the year ending 31 December 2010 once the proposals have been substantively enacted.

Notes to the financial statements

For the year ended 31 December 2009

10. Intangible fixed assets

| | <i>Patents and trademarks</i> £ | <i>Research and development</i> £ | <i>Intellectual property</i> £ | <i>Total</i> £ |
|-----------------------|--|--|---------------------------------------|-------------------|
| Cost | | | | |
| At 1 January 2009 | 30,327 | 4,401,168 | 508,411 | 4,939,906 |
| Additions | - | 334,440 | - | 334,440 |
| At 31 December 2009 | 30,327 | 4,735,608 | 508,411 | 5,274,346 |
| Amortisation | | | | |
| At 1 January 2009 | 30,326 | 2,897,588 | 83,095 | 3,011,009 |
| Charge for the year | - | 313,032 | 101,682 | 414,714 |
| At 31 December 2009 | 30,326 | 3,210,620 | 184,777 | 3,425,723 |
| Net book value | | | | |
| At 31 December 2009 | 1 | 1,524,988 | 323,634 | 1,848,623 |
| At 31 December 2008 | 1 | 1,503,580 | 425,316 | 1,928,897 |

11. Tangible fixed assets

| | <i>Land and buildings</i> £ | <i>Plant and machinery</i> £ | <i>Motor vehicles</i> £ | <i>Furniture, fittings and equipment</i> £ | <i>Total</i> £ |
|--------------------------|------------------------------------|-------------------------------------|----------------------------|---|-------------------|
| Cost or valuation | | | | | |
| At 1 January 2009 | 1,200,000 | 728,373 | 113,911 | 122,097 | 2,164,381 |
| Additions | - | 61,915 | 27,013 | 248 | 89,176 |
| Disposals | - | (12,924) | (51,068) | (208) | (64,200) |
| At 31 December 2009 | 1,200,000 | 777,364 | 89,856 | 122,137 | 2,189,357 |
| Depreciation | | | | | |
| At 1 January 2009 | 6,377 | 565,005 | 53,900 | 105,347 | 730,629 |
| Charge for the year | 9,565 | 65,299 | 19,880 | 6,475 | 101,219 |
| On disposals | - | (2,638) | (27,589) | (207) | (30,434) |
| At 31 December 2009 | 15,942 | 627,666 | 46,191 | 111,615 | 801,414 |
| Net book value | | | | | |
| At 31 December 2009 | 1,184,058 | 149,698 | 43,665 | 10,522 | 1,387,943 |
| At 31 December 2008 | 1,193,623 | 163,368 | 60,011 | 16,750 | 1,433,752 |

Notes to the financial statements
For the year ended 31 December 2009

11. Tangible fixed assets (continued)

Land and buildings include land with a cost value of £252,000 which is not depreciated

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

| | 2009 £ | 2008 £ |
|---------------------|---------------|---------------|
| Plant and machinery | 7,272 | 20,549 |
| Motor vehicles | 18,294 | 59,765 |
| | <u>25,566</u> | <u>80,314</u> |

Cost or valuation at 31 December 2009 is as follows

| | <i>Land and buildings £</i> |
|-------------------------------|-------------------------------------|
| At cost | - |
| At valuation: | |
| 18 April 2008 at market value | <u>1,200,000</u> |
| | <u>1,200,000</u> |

The land and buildings were revalued on 18 April 2008 by Arnolds Chartered Surveyors on an open market existing use basis

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

| | 2009 £ | 2008 £ |
|--------------------------|----------------|----------------|
| Cost | 283,060 | 283,060 |
| Accumulated depreciation | (73,869) | (71,499) |
| | <u>209,191</u> | <u>211,561</u> |

12 Fixed asset investments

| | <i>Shares in group undertakings £</i> |
|--|---|
| Cost or valuation | |
| At 1 January 2009 and 31 December 2009 | <u>40,250</u> |

Notes to the financial statements
For the year ended 31 December 2009

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company

| <i>Name</i> | <i>Class of shares</i> | <i>Holding</i> |
|---|------------------------|----------------|
| GeoAcoustics Inc (registered in USA) | Ordinary shares | 100% |
| GeoAcoustics Asia Pacific Pte Limited (registered in Singapore) | Ordinary shares | 100% |

The aggregate of the share capital and reserves as at 31 December 2009 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

| <i>Name</i> | <i>Aggregate of share capital and reserves</i> £ | <i>Profit/(loss)</i> £ |
|---|---|---------------------------|
| GeoAcoustics Inc (registered in USA) | (245,009) | (21,764) |
| GeoAcoustics Asia Pacific Pte Limited (registered in Singapore) | <u>758,359</u> | <u>182,071</u> |

13 Stocks

| | <i>2009</i> £ | <i>2008</i> £ |
|------------------|------------------|------------------|
| Raw materials | 96,604 | 61,446 |
| Work in progress | 873,090 | 569,717 |
| | <u>969,694</u> | <u>631,163</u> |

14 Debtors

| | <i>2009</i> £ | <i>2008</i> £ |
|--|------------------|------------------|
| <i>Due after more than one year</i> | | |
| Amounts owed by group undertakings | - | 251,733 |
| <i>Due within one year</i> | | |
| Trade debtors | 133,890 | 707,729 |
| Amounts owed by group undertakings | 97,722 | 122,252 |
| Other debtors | 49,415 | 47,603 |
| Prepayments and accrued income | 21,779 | 43,042 |
| Tax recoverable | 1,800 | 1,823 |
| Deferred tax asset (see note 17) | 19,964 | - |
| | <u>324,570</u> | <u>1,174,182</u> |

Notes to the financial statements
For the year ended 31 December 2009

15. Creditors:
Amounts falling due within one year

| | 2009 | 2008 |
|--|----------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 105,224 | 217,500 |
| Payments received on account | 16,138 | 19,645 |
| Net obligations under finance leases and hire purchase contracts | 18,059 | 64,302 |
| Trade creditors | 223,782 | 244,846 |
| Amounts owed to group undertakings | 488,795 | 393,321 |
| Corporation tax | - | 16,523 |
| Social security and other taxes | 34,426 | 35,483 |
| Other creditors | 6,425 | 5,990 |
| Accruals and deferred income | 79,704 | 176,322 |
| | <u>972,553</u> | <u>1,173,932</u> |

Bank loans and overdrafts are secured by charges over the assets of the company including its freehold property

16 Creditors:
Amounts falling due after more than one year

| | 2009 | 2008 |
|--|----------------|----------------|
| | £ | £ |
| Bank loans | 91,465 | 189,868 |
| Net obligations under finance leases and hire purchase contracts | - | 17,118 |
| Amounts owed to group undertakings | 251,400 | 252,750 |
| | <u>342,865</u> | <u>459,736</u> |

Included within the above are amounts falling due as follows

| | 2009 | 2008 |
|-----------------------------------|---------------|----------------|
| | £ | £ |
| Between two and five years | | |
| Bank loans | <u>91,465</u> | <u>189,868</u> |

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

| | 2009 | 2008 |
|----------------------------|----------|---------------|
| | £ | £ |
| Between one and five years | <u>-</u> | <u>17,118</u> |

Notes to the financial statements
For the year ended 31 December 2009

17. Deferred taxation

| | 2009 £ | 2008 £ |
|---|---------------|-----------------|
| At beginning of year/eight month period | (32,434) | (19,823) |
| Released during/(charged for) year/eight month period | 53,213 | (23,716) |
| Other movement | (815) | 11,105 |
| | <u>19,964</u> | <u>(32,434)</u> |

The deferred taxation balance is made up as follows

| | 2009 £ | 2008 £ |
|--------------------------------|-----------------|---------------|
| Accelerated capital allowances | 433,525 | 438,588 |
| Tax losses carried forward | (433,889) | (362,964) |
| Short term timing differences | (19,600) | (43,190) |
| | <u>(19,964)</u> | <u>32,434</u> |

18 Provisions

| | <i>Warranty provision</i> £ |
|--------------------------|------------------------------------|
| At 1 January 2009 | 104,250 |
| Increase during the year | 76,260 |
| Amounts released | (78,030) |
| | <u>102,480</u> |
| At 31 December 2009 | <u>102,480</u> |

Warranty provision

A provision is recognised for expected warranty claims based on products sold during the last twelve months. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

Notes to the financial statements

For the year ended 31 December 2009

19 Share capital

| | 2009 £ | 2008 £ |
|---|----------------|----------------|
| Authorised | | |
| 100,000- Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| Allotted, called up and fully paid | | |
| 730- Ordinary shares of £1 each | <u>730</u> | <u>730</u> |

20 Reserves

| | <i>Capital redempt'n reserve</i> £ | <i>Revaluation reserve</i> £ | <i>Profit and loss account</i> £ |
|--|---|-------------------------------------|---|
| At 1 January 2009 | 300 | 972,654 | 2,469,269 |
| Loss for the year | - | - | (114,929) |
| Transfer between Revaluation reserve and Profit and loss account | - | (6,010) | 6,010 |
| Other movements- exchange differences on retranslation of net assets of branch | - | - | 1,070 |
| At 31 December 2009 | <u>300</u> | <u>966,644</u> | <u>2,361,420</u> |

21 Reconciliation of movement in shareholders' funds

| | 2009 £ | 2008 £ |
|--|------------------|------------------|
| Opening shareholders' funds | 3,442,953 | 3,341,676 |
| (Loss)/profit for the year/eight month period | (114,929) | 110,803 |
| Other recognised gains and losses during the year/eight month period | <u>1,070</u> | <u>(9,526)</u> |
| Closing shareholders' funds | <u>3,329,094</u> | <u>3,442,953</u> |

22. Pension commitments

The company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. During the period contributions payable amounted to £37,885 (2008 £73,771). The unpaid contributions outstanding at the period end included in accruals amounted to £6,201 (2008 £5,692).

Notes to the financial statements
For the year ended 31 December 2009

23 Operating lease commitments

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows

| | <i>Land and buildings</i> | | <i>2009</i> | <i>Other</i> |
|---------------------------|---------------------------|-------------|-------------|--------------|
| | <i>2009</i> | <i>2008</i> | | |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| <i>Expiry date</i> | | | | |
| Within 1 year | - | - | - | 563 |
| Between 2 and 5 years | 8,543 | 8,637 | 2,199 | 894 |

24. Related party transactions

The company has taken advantage of exemptions conferred by UK Accounting Standard FRS 8 from disclosure of certain related party transactions

25 Post balance sheet events

The directors have decided to transfer the trade, assets and liabilities of the Indian branch at net book value to a fellow group undertaking during 2010

26 Ultimate parent undertaking and controlling party

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

The company's ultimate parent undertaking, and controlling party, is Kongsberg Gruppen ASA, a company registered in Norway. The company's results are consolidated into the financial statements of Kongsberg Gruppen ASA and copies of these financial statements may be obtained from its registered address which is Kirkegaardsveien, PO Box 1000, NO-3061, Kongsberg, Norway

**Detailed trading and profit and loss account
for the period ended 31 December 2009**

| | <i>Page</i> | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|-----------------------------------|-------------|--|--|
| Turnover | 26 | 3,688,085 | 2,933,239 |
| Cost of sales | 26 | (1,999,967) | (1,599,204) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,688,118 | 1,334,035 |
| Gross profit % | | 45.77% | 45.48% |
| Other operating income | 26 | 6,780 | 4,482 |
| | | <hr/> | <hr/> |
| | | 1,694,898 | 1,338,517 |
| Less. Overheads | | | |
| Selling and distribution expenses | 27 | (561,486) | (364,625) |
| Administration expenses | 27 | (1,140,908) | (700,729) |
| Establishment expenses | 28 | (169,982) | (97,678) |
| | | <hr/> | <hr/> |
| Operating (loss)/profit | | (177,478) | 175,485 |
| Interest receivable | 28 | 17,637 | 4,170 |
| Interest payable | 29 | (17,933) | (28,636) |
| | | <hr/> | <hr/> |
| (Loss)/profit for the year | | <u>(177,774)</u> | <u>151,019</u> |

Schedule to the detailed accounts
For the year ended 31 December 2009

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|-----------------------|--|--|
| Turnover | | |
| Sales - Domestic | 760,603 | 846,170 |
| Sales - Rest of world | 2,927,482 | 2,087,069 |
| | <u>3,688,085</u> | <u>2,933,239</u> |

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---------------------------------|--|--|
| Cost of sales | | |
| Purchases - raw materials | 1,269,926 | 1,268,002 |
| Wages and salaries | 5,111 | 2,346 |
| Foreign exchange differences | 59,075 | (51,606) |
| Warranty | 33,071 | 71,891 |
| Sales commissions and discounts | 632,784 | 308,571 |
| | <u>1,999,967</u> | <u>1,599,204</u> |

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|-------------------------------|--|--|
| Other operating income | | |
| Other operating income | 75 | 100 |
| Net rents receivable | 6,705 | 4,382 |
| | <u>6,780</u> | <u>4,482</u> |

Schedule to the detailed accounts
For the year ended 31 December 2009

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---|--|--|
| Selling and distribution expenses | | |
| Advertising | 31,562 | 19,467 |
| Salaries | 399,295 | 220,009 |
| National Insurance | - | 938 |
| Motor running costs | 7,680 | 4,915 |
| Hotels, travel, subsistence and entertainment | 74,882 | 58,667 |
| Entertainment expenses | 6,466 | 36,874 |
| Depreciation | 45,899 | 29,438 |
| P/L on disposal of fixed assets | (2,087) | - |
| General | 17,617 | 10,607 |
| Freight | 1,476 | 300 |
| Direct labour overhead absorbed | (21,304) | (16,590) |
| | <hr/> <u>561,488</u> | <hr/> <u>364,623</u> |

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|--|--|--|
| Administration expenses | | |
| Directors salaries | - | 116,438 |
| Directors fees | - | 7,500 |
| Directors pension costs - money purchase schemes | - | 25,875 |
| Staff salaries | 808,532 | 421,669 |
| Staff national insurance | 107,272 | 73,080 |
| Staff pension costs - money purchase schemes | 37,885 | 47,896 |
| Motor running costs | 6,169 | 8,296 |
| Hotels, travel and subsistence | 2,383 | 3,099 |
| Research and development | 221,019 | 17,385 |
| Consultancy | 60,000 | 40,000 |
| Printing and stationery | 6,148 | 5,024 |
| Postage | 14,799 | 14,400 |
| Telephone and fax | 7,615 | 5,487 |
| Computer costs | 19,600 | 11,728 |
| General office expenses | 4,785 | 2,107 |
| Legal and professional | 19,653 | 8,964 |
| Auditors' remuneration | 15,000 | 15,000 |
| Auditors' remuneration - non-audit | 3,208 | 1,468 |
| Bank charges | 8,776 | 5,817 |
| Difference on foreign exchange | 7,063 | (18,818) |
| Sundry expenses | 51,244 | 34,074 |
| Service charges | 10,000 | 1,508 |
| Insurances | 11,109 | 8,767 |
| Depreciation - plant and machinery | 29,515 | 15,313 |
| | <hr/> <u>1,451,775</u> | <hr/> <u>872,077</u> |
| Sub-total carried forward | 1,451,775 | 872,077 |

**Schedule to the detailed accounts
For the year ended 31 December 2009**

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|--|--|--|
| Administration expenses (continued) | | |
| Sub-total brought forward | 1,451,775 | 872,077 |
| Depreciation - motor vehicles | 9,774 | 13,450 |
| Amortisation - intangible fixed assets | 414,714 | 262,342 |
| (Profit)/loss on sale of tangible assets | (476) | (216) |
| Indian branch costs | 240 | 834 |
| Direct labour and overhead allocation | (735,119) | (447,757) |
| | <u>1,140,908</u> | <u>700,729</u> |

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|-------------------------------|--|--|
| Establishment expenses | | |
| Rent - operating leases | 10,553 | 5,708 |
| Rates | 32,324 | 18,677 |
| Light and heat | 10,313 | 6,010 |
| Insurances | 23,861 | 28,735 |
| Repairs and maintenance | 46,247 | 10,477 |
| Sundry establishment expenses | 18,841 | 8,981 |
| Depreciation | 16,030 | 11,394 |
| Canteen | 1,497 | 1,325 |
| Cleaning and gardening | 10,316 | 6,371 |
| | <u>169,982</u> | <u>97,678</u> |

| | <i>Year 31 December 2009 £</i> | <i>Eight month period 31 December 2008 £</i> |
|----------------------------|--|--|
| Interest receivable | | |
| Bank interest receivable | 88 | 4,167 |
| Other interest receivable | 17,549 | |
| | <u>17,637</u> | <u>4,170</u> |

Schedule to the detailed accounts
For the year ended 31 December 2009

| | <i>Year</i> <i>31 December</i> 2009 £ | <i>Eight month period</i> <i>31 December</i> 2008 £ |
|---------------------------------|--|--|
| Interest payable | | |
| Bank overdraft interest payable | 272 | 55 |
| Bank loan interest payable | 7,938 | 18,923 |
| Group interest payable | 4,617 | - |
| Group interest payable | - | 2,750 |
| Other loan interest payable | 56 | 131 |
| Hire purchase interest payable | 5,050 | 6,777 |
| | <hr/> | <hr/> |
| | 17,933 | 28,636 |