



SPECTRUM ISSUE: 5 | NOVEMBER 2007

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THE NEWSLETTER FROM RITSON SMITH

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## Record Year for Ritson Smith

- Fee income up 20% to £4.2m
- Staff up 15%
- Corporate Finance division lead advisors in over £125m of transactions
- And much, much more see inside for details

Smith, one of the leading independent  
in North-east Scotland  
that

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## Introduction



It is with great pleasure that I have been asked to write the foreword to the latest edition of SPECTRUM. Regular readers of this column recall that it is usually written by Neil Harper. After 12 years at the helm, Neil has decided to pass the baton on and I have accepted the challenge that comes with the position of Managing Partner.

I would first of all like to express the thanks of everyone at Ritson Smith for the direction and wise counsel Neil has provided us during his time in charge. This has resulted in a period of continuous growth for the Firm and the delivery of a wider range of specialist services for our clients.

Although Neil is relinquishing his role as Managing Partner, he will still be actively involved with looking after his clients and will, I am sure, contribute to the continued success of the firm.

This was not the only change that occurred at the end of October, as we saw the retirement of two long standing partners; Ian Baker and George Leadley about whom you can read more elsewhere in this edition.

The current buoyant local economy has ensured that we are busy and that is how we prefer to be. We are fortunate to have a loyal staff who recognise we are in a service industry and carry out their work with a great deal of professionalism.

The client profile in this edition is Rotech Group whose Finance Director, Ken Stewart and Chief Financial Officer, George Bell both trained and qualified at Ritson Smith. The nature of our relationship with Rotech is a classic example of the type of longstanding relationship that Ritson Smith aims to develop.

If you have any feedback or comments you wish to raise with me on this issue I will be delighted to hear from you.

**Niall Farquharson**  
Managing Partner

# Profile: Niall Farquharson



Niall conquers the South Glen Shiel Ridge (3017 feet)

As Niall Farquharson prepares to take over the helm at Ritson Smith, we asked him to give us an insight into what makes him tick and his journey to the summit of his career.

"Born in Mansfield, I went to school in Inverness and Aberdeen, and then took my MA in Accounts and Economics at the University of Aberdeen. I found I really enjoyed meeting and working with many different types of people, but, as a student, didn't enjoy early morning lectures!

Other than a year with a firm in Edinburgh, my whole career has been with Ritson Smith. I started as a trainee Chartered Accountant, and began to specialise in audit, financial due diligence and litigation support work. The firm's good reputation, personable partners and dedication to the interests of their clients attracted me in the first place, and brought me back again. I'm a member of the Council of the Institute of Chartered Accountants in Scotland, where I have added responsibility as a member of their Audit Committee.

Getting a good work/life balance is important to me. From my earliest childhood I've been keen on sports, like many boys it started with football and rugby and, although no longer playing, I am an interested spectator. Nowadays any spare time is normally filled with golf and hill walking. I'm a Past Captain at Royal Aberdeen and the Scottish Universities Golfing Society and I'm currently the Chairman of the 2011 Walker Cup Committee at the Royal Aberdeen Golf Club. I like to get out on the hills whenever I can and have gained great enjoyment and a sense of achievement from climbing some of Scotland's Munro's.

My wife, Judy, is a busy GP in Aberdeen and our elder daughter Sarah, has followed in her footsteps and has just started studying Medicine at Edinburgh. Fiona, our younger daughter is in her third year at Robert Gordon's College.

At Ritson Smith, I head up the Transaction Support Team and I'm a Responsible Individual (RI) for audit purposes. I also provide expert witness opinions in respect of business valuations. I want Ritson Smith to be the first choice firm of SMEs and think our comprehensive range of support services, sound business advice and dedication to helping our clients grow, coupled with our commitment to recruiting and retaining high calibre staff with specialist skills positions us well to achieve this."

# Deal activity fuels growth



Graham Alexander, Partner - Corporate Finance



The Transaction Support Team

This year has seen the biggest growth in the firm's history with fee income up over 20% at £4.2m. A major contributor to the figures has been the Corporate Finance division. Since its inception, it has trebled its revenue, doubled its team and, in the last eight months alone, has advised on assignments with a combined value of over £125 million.

This year has seen increased activity across all of Ritson Smith's divisions including Taxation, Audit and Accounts, Litigation Support, Business Recovery and the recently established dedicated Transaction Support function which has seen significant growth in due diligence work.

The firm recently expanded its Aberdeen head office and has increased staffing levels by 15% including qualified assistants and graduates.

"We have progressed significantly over the last three years" says Graham Alexander who heads up Ritson Smith's Corporate Finance team, "establishing the business as a key player of scale in the Corporate Finance marketplace.

Our intention is to further expand the Corporate Finance and related taxation services providing first class support to businesses wanting to maximise their potential whether as a buyer or a vendor.

In addition to the success of the Corporate Finance team, our business recovery division has had an increasing number of successes working with directors and lenders to find alternatives to insolvency"

## Going through a purple patch?

### The key to realising shareholder value is early expert planning.

Our Corporate Finance team has an outstanding track record in providing expert professional support to management teams aiming for strategic listing, merger, acquisitions or disposal. We've recently helped some notable high-growth businesses to seriously enhance their shareholder value.

### The M&A assignments where Ritson Smith's Corporate Finance team has acted as lead advisor during the last eight months include:

- Sale of Trittech International Limited to Halma plc
- Sale of ABZ Group Limited to Sovereign Oilfield Group plc
- Sale of Sub-Atlantic Limited to Triton Group
- Sale of Aberdeen Tool Rental Group to a Management Buy-in (MBI) backed by the Royal Bank of Scotland and Aberdeen Asset Management
- Sale of Sangs (Banff) Limited to Sangs Holdings Limited.
- Management Buy-out (MBO) of Space Solutions (Scotland) Limited
- Sale of PGL to Senergy Holdings Limited

### In addition, the Transaction Support team provided advice on the following assignments:

- CSL sale to DOF Subsea
- Circle Offshore sale to Proserv
- Duncan & Todd MBO
- Sovereign Oilfield Group plc acquisition of Forfab and RDT
- Acted as reporting accountants to Axeon Holdings plc on acquisition of Swiss based Ristma Group funded through private placing and debt.



has been acquired by

**HALMA**

Lead Advisors to the vendors of Trittech  
December 2006



has been acquired by

**Sovereign**  
OILFIELD GROUP PLC

Financial Due Diligence undertaken on behalf of SOG  
January 2007



has been acquired by

**Sovereign**  
OILFIELD GROUP PLC

Financial Due Diligence undertaken on behalf of SOG  
February 2007



has been acquired by

**DOF**subsea

Financial Due Diligence undertaken on behalf of DOF  
April 2007



has been acquired by

**TRITON**  
GROUP

Lead Advisors to the vendors of Sub-Atlantic  
April 2007



has been acquired by

**senergy**

Lead Advisors to the vendors of PGL  
July 2007



# Client Profile: Rotech Group

From the start of the Industrial Revolution, Scotland has long had a reputation for mechanical problem solving, inventiveness and high quality engineering. The Rotech Group exemplifies that heritage and is actively advancing this reputation on a global basis.

**Rotech specialises in the research, development, production and marketing of specialist tools for the Oil and Gas and Subsea markets, and is at the forefront of technical solutions for the emerging renewable energy market.**

Dr. Hector Susman and Ken Stewart founded Rotech in 1994 with a buy-out from Volker Stevin Offshore. Rotech has since grown to around 130 employees, with almost 20 based in Houston. George Bell, Rotech's Chief Financial Officer, elaborates, "Our strength lies in the quality of our workforce, their ideas and technical focus. We have a team of innovative and highly-qualified research engineers whose ideas will keep us at the forefront of technological development for the foreseeable future, a group of highly trained project engineers with the skills to operate our own specialised sub-sea equipment under demanding circumstances in often inhospitable environments and an established fabrication workforce at our own in-house facility in Aberdeen which enables us to construct our unique equipment locally, under our own direct control".

Rotech's products are characterised by a robust, yet elegant, engineering-led approach to providing technical solutions to real-world problems and the company holds a number of international patents. George is justifiably positive about Rotech's future; "The intention is to expand our Subsea operations worldwide and to develop the Rotech Tidal Turbine (RTT) technology for the renewable

energy market and other drilling technology projects for the offshore exploration industry to the point of commercialisation. New bases are being established in Mexico and Singapore that will cement Rotech's reputation as a global innovator".

"We believe our tidal turbine is at the leading edge of technological development in that sector and we have had interest from various parties. One of the largest energy producers in the world has entered into an agreement in principle to use the RTT in what would be one of the world's largest tidal stream power stations. The UK has some of the potentially strongest sites for tidal energy in Europe so we remain optimistic although commercial development will certainly have a relatively long payback period".

**"The UK has some of the potentially strongest sites for tidal energy in Europe..."**

It's this longer-term vision and commitment that characterises Rotech's relationship with Ritson Smith too, according to George. "They are accessible, reliable and have a solid skill sets base. Relationships have been established with the individual partners and managers which have endured for 13 years now".

Ritson Smith's Neil Harper added "We have acted for Ken Stewart and his very professional team at Rotech for a long time and have seen them enjoy considerable success delivering growth locally and internationally. We work together on the financial and taxation issues that arise and as Ken was once a tax specialist himself he has a keen eye on our capabilities and input!"

# Capital Gains (but not quite as much as the Chancellor does!)

**The big bombshell in Alistair Darling's pre-budget report was the change in Capital Gains Tax rules. Second home owners and investors in shares may gain, but those with businesses and farms with development land could be worse off.**

The new rules apply to disposals made after 5 April 2008. The critical date for a capital gains disposal is the date the contract to sell becomes unconditional as this determines which tax year a disposal falls into. If a disposal becomes unconditional before 6 April 2008, the current rules will still apply. The new rules do not apply to disposals by companies of their assets but to all individuals, personal representatives and trustees.

After 5 April 2008, there is no indexation relief or taper relief available to reduce chargeable gains. This means that the cost of the asset disposed, or the market value

at 31 March 1982 if relevant, will be deducted from the sale proceeds and the resulting gain will be taxed at 18%, after deduction of the capital gains tax annual exemption and any capital losses brought forward. This will apply regardless of the type of asset disposed of or the length of time the asset has been held.

Taxpayers will lose the benefit of indexation of their base cost between 1982 and 1998, a period during which the Retail Price Index more than doubled. Thus, they will not only pay tax at an increased rate of 18% but where the asset was owned before 1998, will pay this on a much larger gain, much of which simply reflects inflation.

The withdrawal of taper relief will have a big effect on those who have received loan notes in exchange for shares in order to extend their taper relief period. If the second anniversary of the loan notes falls

after 6 April 2008 then taper relief will no longer be relevant and the anticipated 10% rate of tax will instead rise by 80% to 18%.

If you are concerned about how the Capital Gains Tax changes will affect you, please get in touch with your usual contact at Ritson Smith.

## UK residence

**For the purposes of counting the number of days a person is present in the UK to determine their UK residency position, the days an individual arrives in the UK and the days he leaves will now be counted as days in the UK. Previously, these days could be ignored. The change is likely to have a major effect on non resident individuals' visits to the UK.**



Time for tee; Andrew receives his prize from Jean Main

## Hamper fills a hole in one!

**Young Aberdeen lad, Andrew McKean (9) is celebrating in style after beating over 100 adults in our putting competition at this year's Taste of Grampian Food Festival where the firm was a key sponsor.**

His mother Caroline, who accompanied Andrew to accept the prize, said: "This is a great prize for Andrew as he loves good

food particularly fresh fruit and veg. He had great fun beating both his brothers on the Ritson Smith stand".

Jean Main, Ritson Smith partner, who presented the hamper to Andrew said: "We never anticipated such a young winner but we are delighted that Andrew and his family will enjoy this hamper and hope that his golfing skills continue to bring success."

# News in brief...

## Fresh Faces

Ritson Smith is pleased to welcome Lucie Morrison, Vikki Batchelor and Duncan Bickerton, who have joined us to undertake their CA student training. Lucie and Vikki join us from RGU and Duncan graduated from Glasgow Caledonian University.

Jenni Hay and Chris Hardie, both of The Robert Gordon University, have joined us for their placement year

## Partner makes a loss!

John Laing lost 14lbs when he undertook a seven-week sponsored slim for charity. Ritson Smith staff and partners sponsored John who raised an impressive £500 for Cancer Relief.

John lost both his father and grandfather to cancer and his eldest sister has beaten it, so it's a cause close to his heart.

## Not shy, but retiring... after 83 years



Two long serving partners retired at the end of October. Ian Baker and George Leadley have certainly earned the right to take it easy having served the firm for 45 and 38 years respectively.

Ian joined the then FA Ritson & Co in 1962 direct from Robert Gordon's College and having qualified as a CA was assumed as a partner in 1972, having established our Ellon offices. Ian and wife Ib have two daughters, Joan and Linda. Joan has

worked with Ritson Smith for several years and will be well known to many clients as a valued tax practitioner with the firm.

George also became a partner in 1972, having trained with another local practice. He was recruited to act for an existing client portfolio, which he quickly enhanced through his sporting and professional connections. George and his wife Jennifer have a son, Richard, whose career in golf reflects George's interest.

Ian intends to use the additional free time to enjoy his many interests. George says he wants to keep his mind active with different challenges. It is thought that this may include perfecting his golf swing!

The staff and partners recognised their much appreciated and long-standing contributions with presentations of gifts at a reception to mark the occasion of their joint retirements.