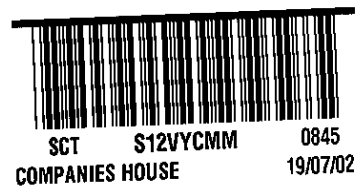


CALEY OCEAN SYSTEMS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 SEPTEMBER 2001

**COMPANY REGISTERED
NO: SC200730**



CALEY OCEAN SYSTEMS LIMITED

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CALEY OCEAN SYSTEMS LIMITED

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DIRECTORS :

David R Cooper
James G McPherson

SECRETARY :

David R Cooper

REGISTERED OFFICE :

Mavor Avenue
East Kilbride
Glasgow
G74 4PU

REGISTERED NUMBER :

SC200730 (Scotland)

AUDITORS :

William Duncan & Co.
Registered Auditors
Bank Chambers
31 The Square
Cumnock KA18 1AT

BANKERS :

The Bank of Scotland
110 Queen Street
Glasgow
G1 3BY

SOLICITORS :

Biggart Ballie & Gifford
310 St Vincent Street
Glasgow
G2 5QR

CALEY OCEAN SYSTEMS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDING 30 SEPTEMBER 2001

The directors presents their report with the financial statements of the company for the year ending 30 September 2001 .

RESULTS AND DIVIDENDS

The profit after taxation for the year was £210,946 (2000 : £763,257).

Final dividends amounting to £100,000 were proposed, leaving a balance of retained profits for the year of £110,946.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the design of lift & handling equipment and other special purpose machinery.

DIRECTORS

The directors beneficial interest in the issued share capital was as follows:

Ordinary £1 shares	2001	2000
	£	£
David R Cooper	25,600	25,600
James G McPherson	25,600	25,600

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

AUDITORS

A resolution will be proposed to re-appoint William Duncan & Co as auditors at the forthcoming AGM.

On behalf of the board:



David R Cooper (Director)

Dated : 10 January 2002

CALEY OCEAN SYSTEMS LIMITED

AUDITOR'S REPORT FOR THE YEAR ENDING 30 SEPTEMBER 2001

To the members of Caley Ocean Systems Limited:

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7-9.

Respective responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

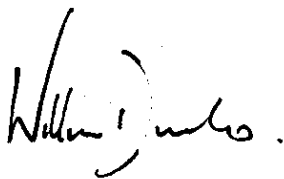
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true & fair view of the state of the company's affairs as at 30 September 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



William Duncan & Co
Registered Auditor

Dated : 10 January 2002

CALEY OCEAN SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
TURNOVER	2	7,401,141	7,329,360
Cost of sales		6,344,436	5,271,583
GROSS PROFIT		<u>1,056,705</u>	<u>2,057,777</u>
Administrative expenses		<u>785,558</u>	<u>1,027,042</u>
OPERATING PROFIT	3	271,147	1,030,735
Interest receivable and similar income		22,706	16,950
Other operating income		25,940	30,104
Interest payable and similar charges	6	<u>43,379</u>	<u>42,769</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		276,414	1,035,020
Tax on profit on ordinary activities	7	<u>65,468</u>	<u>271,763</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		210,946	763,257
Dividends	8	<u>100,000</u>	<u>100,000</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		110,946	663,257
RETAINED PROFIT BROUGHT FORWARD		663,257	-
RETAINED PROFIT CARRIED FORWARD		<u><u>774,203</u></u>	<u><u>663,257</u></u>

The company has no recognised gains or losses other than the profit for the period.

The notes set out on pages 7 to 16 form part of these financial statements.

CALEY OCEAN SYSTEMS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	<u>291,831</u>	<u>355,002</u>
CURRENT ASSETS			
Stocks	10	70,802	438,521
Debtors	11	3,647,793	3,041,784
Cash at bank and in hand		<u>177,900</u>	<u>620,271</u>
		<u>3,896,495</u>	<u>4,100,576</u>
CREDITORS			
Amounts falling due within one year	12	2,842,269	3,062,319
NET CURRENT ASSETS		<u>1,054,226</u>	<u>1,038,257</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,346,057</u>	<u>1,393,259</u>
CREDITORS			
Amounts falling due after one year	13	<u>337,500</u>	<u>487,500</u>
		1,008,557	905,759
PROVISION FOR LIABILITIES AND CHARGES	15	105,460	105,460
ACCRUALS AND DEFERRED INCOME	16	48,894	57,042
NET ASSETS		<u><u>854,203</u></u>	<u><u>743,257</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	80,000	80,000
Profit and loss account		<u>774,203</u>	<u>663,257</u>
		<u><u>854,203</u></u>	<u><u>743,257</u></u>

On behalf of the Board

David R Cooper

David R Cooper (Director)

Approved by the Board on 10 January 2002

The notes set out on pages 7 to 16 form part of these financial statements.

CALEY OCEAN SYSTEMS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR YEAR ENDING 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
Cash inflow from operating activities	19 (a)	164,040	298,929
Returns on investment & servicing of finance	19 (b)	(120,673)	(25,819)
Taxation		(272,500)	-
Capital expenditure	19 (b)	(7,903)	(425,674)
Financing	19 (b)	(205,335)	772,835
(Decrease) / increase in cash in the year		<u>(442,371)</u>	<u>620,271</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2001 £	2000 £
(Decrease) / increase in cash in the year	19 (c)	(442,371)	620,271
Cash inflow from increases in loans		-	(692,835)
Cash outflow from repayment of HP agreements & loans		205,335	
Movement in net debt		<u>(237,036)</u>	<u>(72,564)</u>
Net debt as at 1 October 2000		(72,564)	-
Net debt as at 30 September 2001		<u>(309,600)</u>	<u>(72,564)</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2001

1. ACCOUNTING POLICIES

Comparative Figures

The company was incorporated on 13 October 1999 and commenced trading on that date. As such the comparative figures cover the period 13 October 1999 to 30 September 2000.

Accounting Convention

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

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separate net assets.

Negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the period in which the non-monetary assets are recovered, whether through depreciation or sale.

Negative goodwill in excess of the fair values of non-monetary assets acquired is recognised in the profit and loss account in the periods expected to be benefited.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Buildings	10% p.a straight line
Motor vehicles	25% p.a reducing balance
Plant and equipment	20% p.a reducing balance
Fixtures and fittings	20% p.a reducing balance
Office Equipment	20% p.a reducing balance
Computer Equipment	20% - 50% p.a reducing balance

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2001

1. ACCOUNTING POLICIES

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows :

Raw materials, consumables and goods for resale	- purchase cost on a first in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further cost expected to be incurred to completion and disposal.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences .

Foreign currencies

Transactions expressed on foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities existing at the balance sheet date have been translated at rates ruling at the balance sheet date.

All differences are taken to the profit and loss account

Leases

Assets held under finance leases are included in tangible assets at cost and are depreciated over the shorter of the lease term or its useful life. Obligations relating to finance leases, net of finance charges, in respect of future periods, are included as appropriate under creditors due within or after one year.

Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation. Rentals under operating leases are charged against profits as incurred.

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

1. ACCOUNTING POLICIES

Pension scheme

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to one continuing activity, the design of lift & handling equipment and other special purpose machinery.

An analysis of turnover by geographical market is given below :

	2001 £	2000 £
United Kingdom	3,686,366	3,872,097
Asia	785,960	2,466,589
Australasia	196,032	12,476
North America	107,031	146,226
Africa	107,703	667,231
Europe	2,447,706	112,338
Middle East	70,343	52,403
	<u>7,401,141</u>	<u>7,329,360</u>

3. OPERATING PROFIT

	2001 £	2000 £
This is stated after charging / (crediting):		
Depreciation of owned fixed assets	71,073	70,672
	<u>71,073</u>	<u>70,672</u>
Amortisation of goodwill	-	(94,026)
	<u>71,073</u>	<u>(23,354)</u>
Auditors Remuneration	5,800	5,609
Operating lease rentals - plant & machinery	2,025	1,659
Government grants released	(8,148)	(8,148)
	<u></u>	<u></u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

4. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Emoluments	<u>301,937</u>	<u>631,575</u>
Company contributions paid to money purchase pension schemes	<u>13,241</u>	<u>12,525</u>

	2001 No.	2000 No.
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

Number of directors with emoluments between :

	2001 No.	2000 No.
£320,001 - £325,000	-	1
£310,001 - £315,000	-	1
£160,000 - £165,000	1	-
£150,000 - £155,000	1	-

The amounts in respect of the highest paid director are as follows :

	2001 £	2000 £
Emoluments	<u>153,548</u>	<u>320,428</u>
Company contributions paid to money purchase pension schemes	<u>6,721</u>	<u>6,525</u>

5. STAFF COSTS

	2001 £	2000 £
Wages and salaries	969,450	1,190,219
Social security costs	102,763	79,192
Other pension costs	56,806	52,133
	<u>1,129,019</u>	<u>1,321,544</u>

The average number of employees during the year was as follows :

	2001 No.	2000 No.
Administration	7	7
Manufacturing	19	17
	<u>26</u>	<u>24</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank loans and overdrafts	<u>43,379</u>	<u>42,769</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£	£
<i>UK Corporation Tax</i>		
Current tax on income for the year	64,731	271,763
Adjustments in respect of prior periods	737	-
	<u>65,468</u>	<u>271,763</u>

8. DIVIDENDS

	2001	2000
	£	£
Equity dividends on ordinary shares :		
Final proposed	<u>100,000</u>	<u>100,000</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

9. TANGIBLE FIXED ASSETS

	Land & Buildings £	Plant & Machinery £	Total £
COST / VALUATION			
At 1 October 2000	306,521	119,153	425,674
Additions	-	9,248	9,248
Disposals	-	(1,345)	(1,345)
At 30 September 2001	<u>306,521</u>	<u>127,056</u>	<u>433,577</u>
DEPRECIATION			
At 1 October 2000	38,686	31,986	70,672
Charge for the period	38,686	32,387	71,073
On disposals	-	-	-
At 30 September 2001	<u>77,372</u>	<u>64,373</u>	<u>141,745</u>
NET BOOK VALUE			
At 30 September 2001	<u>229,149</u>	<u>62,683</u>	<u>291,832</u>
At 30 September 2000	<u>267,835</u>	<u>87,167</u>	<u>355,002</u>

10. STOCKS

	2001 £	2000 £
Raw materials and consumables	50,821	48,897
Long-term contract balances	19,981	389,624
	<u>70,802</u>	<u>438,521</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

	2001 £	2000 £
Long-term contract balances consist of:		
Costs to date less provisions for losses	24,826	699,522
Less : transfer to cost of sales	(4,845)	(309,898)
	<u>19,981</u>	<u>389,624</u>

11. DEBTORS

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	1,899,135	1,429,677
Other debtors	226,475	67,191
Amounts recoverable on long-term contracts	1,522,183	1,544,916
	<u>3,647,793</u>	<u>3,041,784</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

12. CREDITORS

Amounts falling due within one year:	2001 £	2000 £
Current instalment due on bank loan (note 15)	150,000	150,000
Payments on account on long-term contracts	20,633	184,148
Contract accruals	284,222	586,208
Trade creditors	1,112,513	585,410
Corporation tax	64,731	271,763
Other taxes and social security costs	35,312	35,209
Other creditors	9,225	10,253
Accruals	1,065,633	1,083,993
Directors loan account - J McPherson	-	27,668
Directors loan account - D Cooper	-	27,667
Proposed dividend	100,000	100,000
	<u>2,842,269</u>	<u>3,062,319</u>

Bank loans and overdrafts are secured by a bond and floating charge over the whole of the company's assets.

13. CREDITORS

Amounts falling due after one year:	2001 £	2000 £
Bank Loans	<u>337,500</u>	<u>487,500</u>

14. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below :	2001 £	2000 £
Within :		
1 year on demand	150,000	150,000
1 to 2 years	150,000	150,000
2 to 5 years	187,500	337,500
	<u>487,500</u>	<u>637,500</u>
Less : amounts due within one year	<u>(150,000)</u>	<u>(150,000)</u>
	<u>337,500</u>	<u>487,500</u>

£750,000 Bank of Scotland loan at 2% per annum above the bank's base rate repayable in twenty quarterly instalments.

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

15. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty provisions

	2001	2000
	£	£
At 1 October 2000	105,460	-
Additions in year	-	105,460
At 30 September 2001	<u>105,460</u>	<u>105,460</u>

16. ACCRUALS AND DEFERRED INCOME

Deferred government grants

	2001	2000
	£	£
At 1 October 2000	57,042	-
Received during the year	-	65,190
Released during the year	(8,148)	(8,148)
At 30 September 2001	<u>48,894</u>	<u>57,042</u>

17. CALLED UP SHARE CAPITAL

	2001	2000
	No	£
Authorised Ordinary A £1 shares	<u>51,200</u>	<u>51,200</u>
Allotted issued and Fully paid Ordinary A £1 shares	<u>51,200</u>	<u>51,200</u>

	2001	2000
	No	£
Authorised Ordinary B £1 shares	<u>28,800</u>	<u>28,800</u>
Allotted issued and Fully paid Ordinary B £1 shares	<u>28,800</u>	<u>28,800</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share capital	P & L account	Total
	£	£	£
At 1 October 2000	80,000	663,257	743,257
Profit for the financial year	-	210,946	210,946
Dividends	-	(100,000)	(100,000)
At 30 September 2001	<u>80,000</u>	<u>774,203</u>	<u>854,203</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash inflow from operating activities	2001 £	2000 £
Operating profit	288,939	1,060,839
Negative goodwill	-	(94,026)
Amortisation of negative goodwill	-	94,026
Depreciation charge	71,073	70,672
Decrease / (Increase) in stocks	367,719	(373,209)
Decrease / (Increase) in debtors	(606,008)	(2,535,025)
Increase / (Decrease) in creditors	42,317	2,075,652
	<u>164,040</u>	<u>298,929</u>

(b) Analysis of cash flows for headings netted in the statement of cash flows

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2001 £	2000 £
Dividend paid	(100,000)	-
Interest received	22,706	16,950
Interest paid	(43,379)	(42,769)
	<u>(120,673)</u>	<u>(25,819)</u>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2001 £	2000 £
Payments to acquire tangible fixed assets	<u>(7,903)</u>	<u>(425,674)</u>

FINANCING

	2001 £	2000 £
Issue of ordinary shares	-	80,000
New loans	(205,335)	692,835
	<u>(205,335)</u>	<u>772,835</u>

CALEY OCEAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 30 SEPTEMBER 2001

19. NOTES TO THE STATEMENT OF CASH FLOWS

(c) Analysis of changes in net debt

	At 2000	Cash flow	At 2001
Cash in bank and at hand	620,271	(442,371)	177,900
Overdrafts		-	-
	<u>620,271</u>	<u>(442,371)</u>	<u>177,900</u>
Loans due within one year	(205,335)	55,335	(150,000)
Loans due after one year	(487,500)	150,000	(337,500)
	<u>(72,564)</u>	<u>(237,036)</u>	<u>(309,600)</u>

20. CONTINGENT LIABILITIES

At the end of the year under review advance payment and performance bonds and guarantees totalling £902,526 were in issue to customers by Lloyds Bank and the Bank of Scotland.

These guarantees are payable if the company fails to fulfil the terms of the contacts covered by them.