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CALEY OCEAN SYSTEMS LTD

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

Company Registration No. SC200730 (Scotland)

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CALEY OCEAN SYSTEMS LTD

COMPANY INFORMATION

Directors	Mr David Cooper Mr James McPherson Mr Alasdair MacDonald (Appointed 19 September 2014) Mr Christopher Gill (Appointed 19 September 2014)
Secretary	Burness Paull LLP
Company number	SC200730
Registered office	375 Govan Road Watermark Business Park Govan Glasgow G51 2SE
Auditors	William Duncan & Co Bank Chambers 31 The Square Cumnock Ayrshire KA18 1AT
Business address	375 Govan Road Watermark Business Park Govan Glasgow G51 2SE
Bankers	Royal Bank of Scotland Glasgow Burnside Branch 272 Stonelaw Road Rutherglen Glasgow G73 3SB
Solicitors	DWF Biggart Baillie Solicitors Dalmore House 310 St Vincent Street Glasgow G2 5QR HBJ Gately Cornerstone 107 West Regent Street Glasgow G2 2BA

CALEY OCEAN SYSTEMS LTD

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 17

CALEY OCEAN SYSTEMS LTD

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 AUGUST 2014

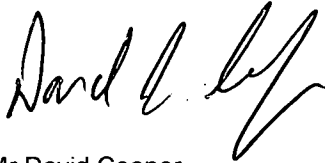
Review of the business

The directors are pleased with the company's performance in the period. The continuing development of its specialist product range and the successful delivery of some substantial orders during the period has allowed the company to continue the strong performance delivered in 2013 despite generally turbulent global market conditions.

The Company's exceptional financial performance in the period demonstrates the underlying strength of the business and reflects the successful delivery of the substantial product orders referred to above. Key indicators such as improved gross margin and a strong return on capital reflect this performance.

On 1 September 2014 the Company's parent was purchased by SMG Acquisition Co Limited (SMG). Its then Directors remain as employees and Directors of the Company and also as shareholders in SMG. SMG is controlled by Simmons Private Equity II LP. On 15 September 2014 the Company moved from its longstanding base in East Kilbride to new and expanded premises at Pacific Quay in Glasgow.

The coming financial year continues to bring fresh challenges, not the least of which is the continuing turbulence in the key markets for the company such as subsea oil and renewable energy. Nevertheless the company retains a good order book which, whilst lower than at the same point last year, should underpin another positive year for the company. The Directors believe the company is well placed to meet these challenges and look forward to another successful year.



Mr David Cooper
Director
12 January 2015

CALEY OCEAN SYSTEMS LTD

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 AUGUST 2014

The directors present their report and financial statements for the period ended 31 August 2014.

Principal activities and review of the business

The principal activity of the company continued to be that of the design of lifting and handling equipment and other special purpose machinery.

Results and dividends

The results for the period are set out on page 6.

Directors

The following directors have held office since 1 October 2013:

Mr David Cooper

Mr James McPherson

Mr Alasdair MacDonald

Mr Christopher Gill

(Appointed 19 September 2014)

(Appointed 19 September 2014)

Auditors

The auditors, William Duncan & Co, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 judgements and accounting 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 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.

CALEY OCEAN SYSTEMS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 AUGUST 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr David Cooper

Director

12 January 2015

CALEY OCEAN SYSTEMS LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CALEY OCEAN SYSTEMS LTD

We have audited the financial statements of Caley Ocean Systems Ltd for the period ended 31 August 2014 set out on pages 6 to 17. 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 auditors' 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 pages 2 - 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 August 2014 and of its profit for the period 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 Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

CALEY OCEAN SYSTEMS LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF CALEY OCEAN SYSTEMS LTD

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.

William Duncan + Co

Hazel Murphy ACA (Senior Statutory Auditor)
for and on behalf of William Duncan & Co

19 January 2015

Chartered Accountants
Statutory Auditor

Bank Chambers
31 The Square
Cumnock
Ayrshire
KA18 1AT

CALEY OCEAN SYSTEMS LTD

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 AUGUST 2014

		Period ended 31 August 2014 £	30 September 2013 £
	Notes		
Turnover	2	14,767,103	18,511,028
Cost of sales		(8,954,860)	(13,742,257)
Gross profit		5,812,243	4,768,771
Administrative expenses		(1,094,113)	(1,067,289)
Other operating income		39,891	3,000
Operating profit	3	4,758,021	3,704,482
Group loan written off		(53,821)	-
Profit on ordinary activities before interest		4,704,200	3,704,482
Other interest receivable and similar income	4	10,736	14,363
Interest payable and similar charges	5	-	(4,263)
Profit on ordinary activities before taxation		4,714,936	3,714,582
Tax on profit on ordinary activities	6	(717,905)	104,781
Profit for the period	16	3,997,031	3,819,363

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

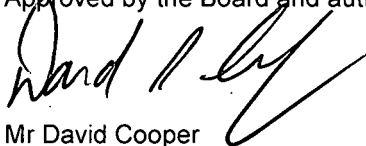
CALEY OCEAN SYSTEMS LTD

BALANCE SHEET

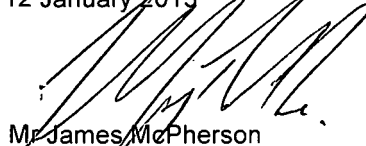
AS AT 31 AUGUST 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	8	1,345,714		241,355	
Investments	9	2,907		-	
		<u>1,348,621</u>		<u>241,355</u>	
Current assets					
Stocks	10	813,393		1,803,698	
Debtors	11	4,144,455		7,613,790	
Cash at bank and in hand		5,411,002		3,235,570	
		<u>10,368,850</u>		<u>12,653,058</u>	
Creditors: amounts falling due within one year	12	(2,823,934)		(7,014,196)	
Net current assets		<u>7,544,916</u>		<u>5,638,862</u>	
Total assets less current liabilities		<u>8,893,537</u>		<u>5,880,217</u>	
Provisions for liabilities	13	(124,189)		(104,354)	
		<u>8,769,348</u>		<u>5,775,863</u>	
Capital and reserves					
Called up share capital	15	80,000		80,000	
Revaluation reserve	16	-		125,159	
Profit and loss account	16	8,689,348		5,570,704	
Shareholders' funds	17	<u>8,769,348</u>		<u>5,775,863</u>	

Approved by the Board and authorised for issue on 12 January 2015


Mr David Cooper

Director


Mr James McPherson

Director

Company Registration No. SC200730

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover and profits

Turnover represents amounts receivable for the design of lifting and handling equipment and other special purpose machinery net of VAT.

1.4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% p. a. straight line
Plant and machinery	25% p.a straight line
Computer equipment	33% p.a straight line
Fixtures, fittings & equipment	25% p.a straight line
Motor vehicles	25% p.a straight line

1.6 Leasing

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

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Revenue recognition

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in work in progress and payments on account in excess of the relevant amount of revenue are included in creditors.

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

1 Accounting policies

(Continued)

1.10 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in other creditors as payments on account.

1.11 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable.

1.12 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.14 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Mavor Group Ltd, a company incorporated in Scotland, and is included in the consolidated accounts of that company.

2 Turnover

Geographical market

	Turnover	
	2014	2013
	£	£
United Kingdom	2,031,634	1,728,786
Asia	773,645	1,476,298
Australasia	2,365,709	6,003,092
North America	438,903	1,391,445
Europe	9,130,886	7,707,381
South America	26,326	204,026
	<u>14,767,103</u>	<u>18,511,028</u>

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

3	Operating profit	2014 £	2013 £
	Operating profit is stated after charging:		
	Depreciation of tangible assets	30,884	15,243
	Loss on foreign exchange transactions	37,829	-
	Auditors' remuneration (including expenses and benefits in kind)	17,185	14,200
	and after crediting:		
	Profit on foreign exchange transactions	-	(38,357)

The group has continued to invest in research and development and operating profit is stated after charging £1,204,411 (2013: £1,381,511) in the period for research and development activities.

4	Investment income	2014 £	2013 £
	Bank interest	9,171	12,693
	Other interest	1,565	1,670
		<u>10,736</u>	<u>14,363</u>
5	Interest payable	2014 £	2013 £
	On overdue tax	-	4,263

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

6	Taxation	2014 £	2013 £
	Domestic current year tax		
	U.K. corporation tax	702,731	464,750
	Adjustment for prior years	(4,661)	(571,902)
	Total current tax	698,070	(107,152)
	Deferred tax		
	Deferred tax charge credit current year	19,835	2,371
		717,905	(104,781)
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	4,714,936	3,714,582
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.09% (2013 - 23.50%)	1,041,368	872,876
	Effects of:		
	Non deductible expenses	11,779	(72)
	Depreciation add back	6,822	3,582
	Capital allowances	(357,238)	(411,636)
	Adjustments to previous periods	(4,661)	(571,902)
		(343,298)	(980,028)
	Current tax charge for the period	698,070	(107,152)
7	Dividends	2014 £	2013 £
	Ordinary interim paid	1,003,546	1,670,000

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

8 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2013	200,000	213,340	34,486	14,881	462,707
Additions	1,024,652	105,123	5,468	-	1,135,243
At 31 August 2014	1,224,652	318,463	39,954	14,881	1,597,950
Depreciation					
At 1 October 2013	-	182,085	31,205	8,062	221,352
Charge for the period	13,383	13,079	1,012	3,410	30,884
At 31 August 2014	13,383	195,164	32,217	11,472	252,236
Net book value					
At 31 August 2014	1,211,269	123,299	7,737	3,409	1,345,714
At 30 September 2013	200,000	31,255	3,281	6,819	241,355

The directors expect that in the medium term the net realisable value of the property will be around £200,000. They have based this valuation at the rate a property developer would pay for the land for building residential housing in the area. The original cost of the land and buildings at East Kilbride was £388,866.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 October 2013 & at 31 August 2014	388,866
Depreciation based on cost	
At 1 October 2013	97,807
Charge for the period	7,777
At 31 August 2014	105,584
Net book value	
At 31 August 2014	283,282
At 30 September 2013	291,059

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

9 Fixed asset investments

	£
Cost	
At 1 October 2013	-
Additions	2,907
	<hr/>
At 31 August 2014	2,907
	<hr/>
Net book value	
At 31 August 2014	2,907
	<hr/> <hr/>

Oceansubsys Brasil Sistemas Offshore Ltda is a joint venture company, registered in Brazil, in which the company owns 50% of the share capital. The company is currently dormant.

10 Stocks	2014 £	2013 £
Raw materials and consumables	13,208	12,986
Long term contract balances:		
- Net cost less foreseeable losses	800,185	1,790,712
	<hr/>	<hr/>
	813,393	1,803,698
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors	2014 £	2013 £
Trade debtors	3,049,325	2,833,174
Amounts recoverable on long term contracts	678,728	3,785,490
Amounts owed by parent and fellow subsidiary undertakings	-	123,185
Corporation tax	335,460	415,377
Other debtors	80,942	456,564
	<hr/>	<hr/>
	4,144,455	7,613,790
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CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 AUGUST 2014

12 Creditors: amounts falling due within one year	2014 £	2013 £
Payments received on account	1,240,900	1,948,109
Trade creditors	598,576	2,539,382
Corporation tax	649,323	60,818
Other taxes and social security costs	38,129	40,734
Other creditors	46,137	412,914
Accruals and deferred income	250,869	2,012,239
	<u>2,823,934</u>	<u>7,014,196</u>

13 Provisions for liabilities	Deferred tax liability £	Warranty Provision £	Total £
Balance at 1 October 2013	4,354	100,000	104,354
Profit and loss account	19,835	-	19,835
Balance at 31 August 2014	<u>24,189</u>	<u>100,000</u>	<u>124,189</u>

The deferred tax liability is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	<u>24,189</u>	<u>4,354</u>

14 Pension and other post-retirement benefit commitments Defined contribution

	2014 £	2013 £
Contributions payable by the company for the period	<u>159,309</u>	<u>192,830</u>

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

15	Share capital	2014 £	2013 £
	Allotted, called up and fully paid		
	51,200 Ordinary A shares of £1 each	51,200	51,200
	28,800 Ordinary B shares of £1 each	28,800	28,800
		<u>80,000</u>	<u>80,000</u>

16	Statement of movements on reserves	Revaluation reserve £	Profit and loss account £
	Balance at 1 October 2013	125,159	5,570,704
	Profit for the period	-	3,997,031
	Transfer from revaluation reserve to profit and loss account	(125,159)	125,159
	Dividends paid	-	(1,003,546)
	Balance at 31 August 2014	<u>-</u>	<u>8,689,348</u>

17	Reconciliation of movements in shareholders' funds	2014 £	2013 £
	Profit for the financial period	3,997,031	3,819,363
	Dividends	(1,003,546)	(1,670,000)
		<u>2,993,485</u>	<u>2,149,363</u>
	Other recognised gains and losses	-	(230,000)
	Net addition to shareholders' funds	2,993,485	1,919,363
	Opening shareholders' funds	5,775,863	3,856,500
	Closing shareholders' funds	<u>8,769,348</u>	<u>5,775,863</u>

18 Contingent liabilities

At the end of the period under review, performance bonds and guarantees totalling £716,000 (2013 £940,000) were in issue to customers by Royal Bank of Scotland Plc. These guarantees are payable if the company fails to fulfil the terms of the contracts covered by them.

The bonds and guarantees are incorporated within the standard security over the premises and through the bond and floating charge over all the assets of the Mavor Group.

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

19 Financial commitments

At 31 August 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 August 2015:

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
Within one year	27,200	-
Between two and five years	-	27,200
	<u>27,200</u>	<u>27,200</u>

20 Directors' remuneration

	2014	2013
	£	£
Remuneration for qualifying services	201,437	199,499
Company pension contributions to defined contribution schemes	83,333	100,000
	<u>284,770</u>	<u>299,499</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2013 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	101,661	100,000
Company pension contributions to defined contribution schemes	41,667	50,000
	<u>143,328</u>	<u>150,000</u>

CALEY OCEAN SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 AUGUST 2014

21 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2014 Number	2013 Number
Direct & Engineering	22	23
Administration	5	6
	<u>27</u>	<u>29</u>

Employment costs

	2014 £	2013 £
Wages and salaries	1,338,345	1,344,890
Social security costs	104,095	103,558
Other pension costs	159,309	192,830
	<u>1,601,749</u>	<u>1,641,278</u>

22 Control

During the year, the company was controlled by Mr D Cooper and Mr J McPherson by virtue of their shareholding in the parent company, Mavor Group Limited a company registered in Scotland.

On 1 September 2014 Mavor Group Limited was purchased by SMG Acquisition Co Limited (SMG). Its then Directors remain as employees and Directors of the Company and also as shareholders in SMG. SMG is controlled by Simmons Private Equity II LP.

23 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.