

Company Registration No. 04390226 (England and Wales)

**MARINE SPECIALISED TECHNOLOGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**



# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY INFORMATION

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**Directors** B W P Kerfoot  
P T L Hilbert  
P A Hine

**Secretary** Newfield Trust Services Limited

**Company number** 04390226

**Registered office** Unit 2  
Atlantic Way  
Dempster Buildings  
Brunswick Business Park  
Liverpool  
L3 4BE

**Auditor** BWM  
Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

**Bankers** NatWest  
10th Floor  
The Plaza  
100 Old Hall Street  
Liverpool  
L3 9QJ

Handelsbanken  
10 Duke Street  
Liverpool  
L1 5AS

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# MARINE SPECIALISED TECHNOLOGY LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Group Statement of comprehensive income	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 35

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# MARINE SPECIALISED TECHNOLOGY LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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The directors present the strategic report for the year ended 30 September 2018.

### **Fair review of the business**

The performance of the group in the year was satisfactory albeit that sales in both the home and export markets have been held back by the continuing uncertainty surrounding the terms under which the UK's decision to leave the EU will be implemented. The group aims to lead in innovation in its markets, to build upon its continuing relationships with customers and develop its through-life maintenance work for the installed fleet of boats around the world.

The Group returned an operating profit of £1,321,944 on turnover of £14,591,384 for the year. The directors believe that significant opportunities exist to develop the business further and continue to actively pursue sales in its existing and new geographical markets. Cash generated during the year allowed the group to maintain healthy net cash balances throughout the year.

### **Principal risks and uncertainties facing the group**

The directors and senior management continually monitor the key risks facing the business as well as assessing the controls used for managing these risks.

We are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control. In particular, the group's activities will be affected by the levels of defence spending in the UK and overseas.

A significant proportion of the group's activities relate to export markets. The decision of the UK to leave the EU has led to considerable uncertainty in the group's European markets but we are cautiously optimistic that this situation will ease over the next 12 months if a satisfactory conclusion is reached in the negotiations for a transition period and new trade agreements thereafter. The board has modelled a number of scenarios which could arise if the UK leaves the EU without agreements being in place. These may include significant re-organisation of the Group's manufacturing and sales arrangements.

Firm contracts priced in foreign currencies are managed through the use of appropriate exchange rate hedges.

### **Financial risk management objectives and policies**

The management of the business and execution of the group's strategy are subject to a number of risks including price risk, exchange rate risk, credit risk and liquidity risk. The use of financial derivatives is governed by the group's policies, approved by the board of directors, which provide written principles on the use of such instruments to manage currency exchange and interest rate risks. The group does not use derivative financial instruments for speculative purposes.

#### *Price risk*

The group is exposed to price risk on the parts and components which it buys in. Wherever possible, contracts with suppliers are entered into to match the terms and timing of sales orders.

#### *Exchange rate risk*

The group can be significantly exposed to financial risks of foreign currency exchange rates as contracts are frequently taken in currencies other than sterling. These exposures are first matched with purchase contracts taken in the same currencies and any remaining exposure is hedged using forward contracts with UK banks.

#### *Credit risk*

The group's principal financial assets are bank balances and cash, trade and other receivables. The group's credit risk is primarily attributed to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. In practice, the group seeks advance payments from commercial customers for its products and obtains letters of credit or similar to cover risks once products are despatched.

#### *Liquidity risk*

The group has funded and intends to continue funding its on-going operations and future developments through cash generated from operating activities and secured bank borrowings.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### Development and performance

#### Research and development

During the year the group has undertaken research and development activities as it continues to invest in new designs and to update existing products. The results for the group show research and development expenditure of £368,091 (2017 - £224,434) which has enabled the business to develop innovative products that continue to provide a competitive advantage within the industry.

#### Key Performance Indicators ("KPI's")

Group management monitors the performance of the operations of each business unit against budgets and forecasts.

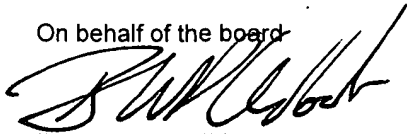
KPI's monitored on a daily basis are:-

- Order intake and levels of enquiries
- Production progress
- Utilisation of direct labour
- Allocation of designers' time to projects
- Cash headroom and Borrowings

KPI's measured on a weekly or monthly basis are the above plus:-

- Profit and Cash Generation
- Debtor, Creditor and Stock days
- On time Delivery Performance
- Turnover/Profit per employee
- Overtime and absentee rates
- Health and Safety record

On behalf of the board



.....  
B W P Kerfoot

Director

..... 12/03/19

# MARINE SPECIALISED TECHNOLOGY LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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The directors present their annual report and financial statements for the year ended 30 September 2018.

### Principal activities

The principal activity of the company continues to be that of a designer and manufacturer of high speed and rigid inflatable boats ("RIBs") for military, law enforcement, commercial and search and rescue users worldwide. It also acts as a holding company which manages and co-ordinates the activities of its subsidiary companies, MST Fleet Services Limited, MST Special Products Limited and Specialised Inflatable Technology Limited which carry on related activities.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B W P Kerfoot  
P T L Hilbert  
P A Hine

### Results and dividends

The results for the year are set out on page 8.

The group profit for the year, excluding the minority interest share, amounted to £1,047,381 (2017 - £900,399). An interim dividend on the ordinary shares of the company was paid on 31 July 2018 amounting to £99,000 (2017 - £99,000).

### Auditor

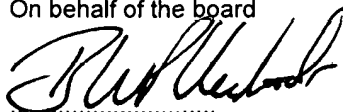
The auditors, BWM, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually 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 auditor of the company is aware of that information.

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of post-balance sheet events affecting the group, future developments in the business of the group, research and development activities of the group and the financial risk management objectives and policies of the group including the exposure of the group included in the consolidation to price risk, credit risk, liquidity risk and cash flow risk.

On behalf of the board



B W P Kerfoot

Director

Date: 12/03/19

# **MARINE SPECIALISED TECHNOLOGY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MARINE SPECIALISED TECHNOLOGY LIMITED

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#### Opinion

We have audited the financial statements of Marine Specialised Technology Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2018 and of its profit 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF MARINE SPECIALISED TECHNOLOGY LIMITED

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF MARINE SPECIALISED TECHNOLOGY LIMITED

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#### Use of our report

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.

BWM

Peter Taaffe FCA CTA DChA (Senior Statutory Auditor)  
for and on behalf of BWM

20.1.2019

Chartered Accountants  
Statutory Auditor

Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

# MARINE SPECIALISED TECHNOLOGY LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
<b>Turnover</b>	<b>3</b>	14,591,384	11,351,533
Cost of sales		(9,882,503)	(6,851,117)
<b>Gross profit</b>		4,708,881	4,500,416
Administrative expenses		(3,388,158)	(3,285,937)
Other operating income		1,221	9,473
<b>Operating profit</b>	<b>4</b>	1,321,944	1,223,952
Interest payable and similar expenses	<b>8</b>	(21,178)	(18,573)
Fair value movement on derivatives		(3,746)	(21,108)
<b>Profit before taxation</b>		1,297,020	1,184,271
Tax on profit	<b>9</b>	(109,516)	(142,941)
<b>Profit for the financial year</b>		1,187,504	1,041,330
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets	<b>12</b>	88,599	-
Tax relating to other comprehensive income	<b>24</b>	(16,834)	-
<b>Total comprehensive income for the year</b>		1,259,269	1,041,330
Profit for the financial year is attributable to:			
- Owners of the parent company		1,047,381	900,399
- Non-controlling interests		140,123	140,931
		1,187,504	1,041,330
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		1,083,263	900,399
- Non-controlling interests		176,006	140,931
		1,259,269	1,041,330

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11		174,900		233,200
Tangible assets	12		1,664,259		1,362,605
			<u>1,839,159</u>		<u>1,595,805</u>
<b>Current assets</b>					
Stocks	16	2,739,281		2,662,916	
Debtors	17	2,031,213		2,852,018	
Cash at bank and in hand		2,731,494		968,173	
		<u>7,501,988</u>		<u>6,483,107</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(3,460,272)</u>		<u>(3,414,202)</u>	
<b>Net current assets</b>			<u>4,041,716</u>		<u>3,068,905</u>
<b>Total assets less current liabilities</b>			<u>5,880,875</u>		<u>4,664,710</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(170,713)		(130,656)
<b>Provisions for liabilities</b>	23		(326,477)		(276,498)
<b>Net assets</b>			<u><u>5,383,685</u></u>		<u><u>4,257,556</u></u>
<b>Capital and reserves</b>					
Called up share capital	26		1,650		1,650
Revaluation reserve			35,882		-
Capital redemption reserve			449,750		449,750
Profit and loss reserves			4,080,103		3,131,722
			<u>4,567,385</u>		<u>3,583,122</u>
<b>Equity attributable to owners of the parent company</b>			<u>4,567,385</u>		<u>3,583,122</u>
<b>Non-controlling interests</b>			<u>816,300</u>		<u>674,434</u>
			<u><u>5,383,685</u></u>		<u><u>4,257,556</u></u>

The financial statements were approved by the board of directors and authorised for issue on 12/03/19 and are signed on its behalf by:



B W P Kerfoot  
Director

Company Registration No. 04390226

# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		431,047		271,784
Investments	13		50,300		50,300
			<u>481,347</u>		<u>322,084</u>
<b>Current assets</b>					
Stocks	16	813,450		1,325,763	
Debtors	17	794,390		1,403,454	
Cash at bank and in hand		2,316,002		593,237	
		<u>3,923,842</u>		<u>3,322,454</u>	
<b>Creditors: amounts falling due within one year</b>	18	(1,439,139)		(2,362,917)	
<b>Net current assets</b>			<u>2,484,703</u>		<u>959,537</u>
<b>Total assets less current liabilities</b>			<u>2,966,050</u>		<u>1,281,621</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(63,677)		-
<b>Provisions for liabilities</b>	23		(213,768)		(156,770)
<b>Net assets</b>			<u><u>2,688,605</u></u>		<u><u>1,124,851</u></u>
<b>Capital and reserves</b>					
Called up share capital	26		1,650		1,650
Capital redemption reserve			449,750		449,750
Profit and loss reserves			2,237,205		673,451
<b>Total equity</b>			<u><u>2,688,605</u></u>		<u><u>1,124,851</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,662,754 (2017 - £84,790 profit).

The financial statements were approved by the board of directors and authorised for issue on 12/03/19 and are signed on its behalf by:



B W P Kerfoot  
Director

Company Registration No. 04390226

**MARINE SPECIALISED TECHNOLOGY LIMITED**

**GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 October 2016</b>		1,650	-	449,750	2,330,323	2,781,723	597,543	3,379,266
<b>Year ended 30 September 2017:</b>								
Profit and total comprehensive income for the year		-	-	-	900,399	900,399	140,931	1,041,330
Dividends	10	-	-	-	(99,000)	(99,000)	(64,040)	(163,040)
<b>Balance at 30 September 2017</b>		1,650	-	449,750	3,131,722	3,583,122	674,434	4,257,556
<b>Year ended 30 September 2018:</b>								
Profit for the year		-	-	-	1,047,381	1,047,381	140,123	1,187,504
Other comprehensive income:								
Revaluation of tangible fixed assets		-	44,299	-	-	44,299	44,300	88,599
Tax relating to other comprehensive income		-	(8,417)	-	-	(8,417)	(8,417)	(16,834)
Total comprehensive income for the year		-	35,882	-	1,047,381	1,083,263	176,006	1,259,269
Dividends	10	-	-	-	(99,000)	(99,000)	(34,140)	(133,140)
<b>Balance at 30 September 2018</b>		1,650	35,882	449,750	4,080,103	4,567,385	816,300	5,383,685

# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 October 2016</b>		1,650	449,750	687,661	1,139,061
<b>Year ended 30 September 2017:</b>					
Profit and total comprehensive income for the year		-	-	84,790	84,790
Dividends	10	-	-	(99,000)	(99,000)
<b>Balance at 30 September 2017</b>		1,650	449,750	673,451	1,124,851
<b>Year ended 30 September 2018:</b>					
Profit and total comprehensive income for the year		-	-	1,662,754	1,662,754
Dividends	10	-	-	(99,000)	(99,000)
<b>Balance at 30 September 2018</b>		1,650	449,750	2,237,205	2,688,605

# MARINE SPECIALISED TECHNOLOGY LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	29	2,446,401		764,655	
Interest paid		(21,178)		(18,573)	
Income taxes paid		(125,391)		(81,072)	
<b>Net cash inflow from operating activities</b>		<u>2,299,832</u>		<u>665,010</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(375,336)		(272,862)	
Proceeds on disposal of tangible fixed assets		8,300		5,632	
<b>Net cash used in investing activities</b>		<u>(367,036)</u>		<u>(267,230)</u>	
<b>Financing activities</b>					
Repayment of bank loans		(26,620)		(194,894)	
Payment of finance leases obligations		(9,225)		(11,968)	
Dividends paid to equity shareholders		(133,140)		(163,140)	
<b>Net cash used in financing activities</b>		<u>(168,985)</u>		<u>(370,002)</u>	
<b>Net increase in cash and cash equivalents</b>		<u>1,763,811</u>		<u>27,778</u>	
Cash and cash equivalents at beginning of year		967,598		939,820	
<b>Cash and cash equivalents at end of year</b>		<u><u>2,731,409</u></u>		<u><u>967,598</u></u>	
<b>Relating to:</b>					
Cash at bank and in hand		2,731,494		968,173	
Bank overdrafts included in creditors payable within one year		(85)		(575)	

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

#### Company information

Marine Specialised Technology Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Unit 2, Atlantic Way, Dempster Buildings, Brunswick Business Park, Liverpool, L4 4BE.

The group consists of Marine Specialised Technology Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

#### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Marine Specialised Technology Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 September 2018.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and parent has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Turnover

Turnover represents amounts receivable for goods and services provided during the year net of VAT and trade discounts.

Revenue is recognised in the period when the material risks and rewards of ownership of the goods have passed to the buyer which would usually be on dispatch of the goods or services or when a pre-determined milestone is reached.

#### 1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 7 years.

Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

#### 1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Know how

10 years

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

### 1 Accounting policies

(Continued)

Patent costs are expensed when there is considered to be no future benefit to the group.

#### 1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% straight line
Plant and machinery	25% reducing balance
Moulds	10% straight line
Fixtures, fittings & equipment	25% reducing balance
Computer equipment	33% straight line
Motor vehicles	25% reducing balance / 12.75% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and loss are recognised in profit or loss.

#### 1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Work in progress represents the work carried out at the year end that is not considered billable due to the terms of the contracts under which this work is undertaken. Work in progress is valued on the basis of direct costs. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.15 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### 1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### *Deferred tax*

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.17 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

The Group has an obligation to provide warranty costs on boat sales and in respect of repair work for periods between 12 to 24 months from completion of the work. Provisions are provided at rates of between 1% to 2.5% of relevant turnover.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.18 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.19 Retirement benefits

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 year they are payable.

#### 1.20 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

#### 1.21 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.22 Foreign exchange

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 group blended rate applicable to such transactions in accordance with the forward currency contracts in place at the year end.

#### 1.23 Group relief

The financial statements have been prepared on the assumption that group relief will be used to facilitate the transfer of corporation tax losses between companies in the group. No compensation is made in respect of any loss relief between companies.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies (Continued)

#### 1.24 Share capital

Share capital is recorded at the proceeds received, net of direct issue costs and classified as equity.

#### 1.25 Distributions to equity holders

Dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which they are approved. These amounts are recognised in the statement of changes in equity.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Useful economic lives of tangible assets***

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are assessed on initial acquisition and reassessed periodically to ensure they remain appropriate. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Accounting policy note 1.8 sets out the useful economic lives for each class of asset and carrying values of property plant and equipment is shown in note 12.

#### ***Impairment of debtors***

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors management considers factors such as current credit rating, the ageing profile of debtors and historical experience. The carrying amount of trade and other debtors are set out in note 17.

#### ***Warranty provisions***

In accordance with specific sales agreements the group is obliged to provide warranty services on both its boat builds and repair work. Those provisions are recognised on completion and despatch of the boat or completion of the relevant repair service and are calculated based on an appropriate percentage of the sales price. The period in which the warranty is provided is pre-determined in the sales agreement however the amount of the provision is estimated by directors using their knowledge and expertise of their products and the industry as a whole. Expenditure relating to boats post sale are captured and reviewed to ensure the provision is at an appropriate level. The carrying amount of warranty provisions is set out in note 23.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 3 Turnover and other revenue

	2018	2017
	£	£
<b>Other significant revenue</b>		
Grants received	1,221	1,246

In the directors' opinion, disclosing the different classes of business and different markets would be seriously prejudicial to the group's interest, therefore the group has taken the decision to exclude this analysis from the financial statements.

Turnover represents the manufacture and maintenance of boats and other equipment.

### 4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(8,499)	(8,428)
Research and development costs	368,091	224,434
Government grants	(1,221)	(1,246)
Depreciation of owned tangible fixed assets	227,203	209,536
Depreciation of tangible fixed assets held under finance leases	9,732	11,915
(Profit)/loss on disposal of tangible fixed assets	(3,369)	3,763
Amortisation of intangible assets	58,300	62,883
Cost of stocks recognised as an expense	6,004,098	3,352,278
Operating lease charges	260,312	235,643

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £8,499 (2017 - £8,428).

### 5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	7,800	7,560
Audit of the financial statements of the company's subsidiaries	15,335	10,385
	<u>23,135</u>	<u>17,945</u>
<b>For other services</b>		
All other non-audit services	6,065	6,130

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	<b>Group 2018 Number</b>	<b>2017 Number</b>	<b>Company 2018 Number</b>	<b>2017 Number</b>
Production	58	56	24	20
Design/Engineering	12	12	12	12
Project Management	2	2	2	2
Administration	38	36	23	23
Directors	4	4	3	3
	<u>114</u>	<u>110</u>	<u>64</u>	<u>60</u>

Their aggregate remuneration comprised:

	<b>Group 2018 £</b>	<b>2017 £</b>	<b>Company 2018 £</b>	<b>2017 £</b>
Wages and salaries	3,870,539	3,445,510	3,150,282	2,849,019
Social security costs	362,546	308,316	307,418	263,577
Pension costs	50,647	28,379	42,262	23,857
	<u>4,283,732</u>	<u>3,782,205</u>	<u>3,499,962</u>	<u>3,136,453</u>

### 7 Directors' remuneration

	<b>2018 £</b>	<b>2017 £</b>
Remuneration for qualifying services	<u>108,310</u>	<u>102,083</u>

The directors' remuneration shown above relates to the directors of the parent company only.

### 8 Interest payable and similar expenses

	<b>2018 £</b>	<b>2017 £</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	19,924	17,179
Interest on finance leases and hire purchase contracts	1,179	1,394
	<u>21,103</u>	<u>18,573</u>
<b>Other finance costs:</b>		
Other interest	75	-
Total finance costs	<u>21,178</u>	<u>18,573</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 9 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	91,939	123,348
Adjustments in respect of prior periods	(5,802)	-
<b>Total UK current tax</b>	<u>86,137</u>	<u>123,348</u>
Foreign current tax on profits for the current period	8,084	9,414
Adjustments in foreign tax in respect of prior periods	(1,336)	-
<b>Total current tax</b>	<u>92,885</u>	<u>132,762</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>16,631</u>	<u>10,179</u>
<b>Total tax charge for the year</b>	<u>109,516</u>	<u>142,941</u>

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	<u>1,297,020</u>	<u>1,184,271</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	246,434	225,011
Tax effect of expenses that are not deductible in determining taxable profit	11,918	12,140
Tax effect of income not taxable in determining taxable profit	(640)	(120)
Tax effect of utilisation of tax losses not previously recognised	(1,877)	(51,246)
Effect of change in corporation tax rate	-	3,154
Double tax relief	(8,084)	-
Permanent capital allowances in excess of depreciation	(69,015)	(58,752)
Depreciation on assets not qualifying for tax allowances	45,111	42,081
Research and development tax credit	(90,919)	(48,920)
Under/(over) provided in prior years	(7,138)	-
Other - MST Fleet NL	8,084	9,414
Deferred tax movement	16,631	10,179
Patent box deduction	(40,989)	-
<b>Taxation charge for the year</b>	<u>109,516</u>	<u>142,941</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 9 Taxation

(Continued)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on: Revaluation of property	8,417	-

### 10 Dividends

	2018 £	2017 £
<b>Group</b>		
Ordinary dividends paid	99,000	99,000
Dividends paid to minority interest	34,140	64,040
	<u>133,140</u>	<u>163,040</u>
<b>Company</b>		
Ordinary dividends paid	99,000	99,000
	<u>99,000</u>	<u>99,000</u>

### 11 Intangible fixed assets

<b>Group</b>	<b>Goodwill</b> £	<b>Know how</b> £	<b>Total</b> £
<b>Cost</b>			
At 1 October 2017 and 30 September 2018	527,740	25,000	552,740
<b>Amortisation and impairment</b>			
At 1 October 2017	294,540	25,000	319,540
Amortisation charged for the year	58,300	-	58,300
At 30 September 2018	352,840	25,000	377,840
<b>Carrying amount</b>			
At 30 September 2018	174,900	-	174,900
At 30 September 2017	233,200	-	233,200

The company had no intangible fixed assets at 30 September 2018 or 30 September 2017.

**MARINE SPECIALISED TECHNOLOGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**12 Tangible fixed assets**

<b>Group</b>	<b>Land and buildings Freehold</b>	<b>Plant and machinery</b>	<b>Moulds</b>	<b>Fixtures, fittings &amp; equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>						
At 1 October 2017	826,244	979,610	630,365	119,271	99,843	2,655,334
Additions	118,599	160,940	32,716	-	142,666	454,921
Disposals	-	-	-	-	(24,615)	(24,615)
Revaluation	88,599	-	-	-	-	88,599
<b>At 30 September 2018</b>	<b>1,033,442</b>	<b>1,140,550</b>	<b>663,081</b>	<b>119,271</b>	<b>217,894</b>	<b>3,174,239</b>
<b>Depreciation and impairment</b>						
At 1 October 2017	42,244	708,740	431,439	74,656	35,650	1,292,729
Depreciation charged in the year	16,198	77,228	79,176	30,688	33,645	236,935
Eliminated in respect of disposals	-	-	-	-	(19,684)	(19,684)
<b>At 30 September 2018</b>	<b>58,442</b>	<b>785,967</b>	<b>510,615</b>	<b>105,344</b>	<b>49,612</b>	<b>1,509,980</b>
<b>Carrying amount</b>						
At 30 September 2018	975,000	354,583	152,466	13,927	168,282	1,664,259
At 30 September 2017	784,000	270,870	198,926	44,615	64,193	1,362,605

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Company	Plant and machinery £	Moulds £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 October 2017	583,403	457,208	60,269	1,100,880
Additions	113,496	27,949	145,973	287,418
Disposals	-	-	(20,557)	(20,557)
At 30 September 2018	696,899	485,157	185,685	1,367,741
<b>Depreciation and impairment</b>				
At 1 October 2017	491,204	310,704	27,189	829,097
Depreciation charged in the year	32,251	60,936	27,177	120,364
Eliminated in respect of disposals	-	-	(12,767)	(12,767)
At 30 September 2018	523,455	371,640	41,599	936,694
<b>Carrying amount</b>				
At 30 September 2018	173,444	113,517	144,086	431,047
At 30 September 2017	92,199	146,504	33,081	271,784

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2018 £	2017 £	Company 2018 £	2017 £
Fixtures, fittings & equipment	-	4,007	-	4,007
Motor vehicles	81,854	-	81,854	-
	81,854	4,007	81,854	4,007
Depreciation charge for the year in respect of leased assets	9,732	11,915	9,732	11,915

### Group

Land and buildings with a carrying amount of £975,000 were revalued at 10 October 2018 by Robert Pinkus & Co., independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 12 Tangible fixed assets (Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Cost	944,843	826,244	-	-
Accumulated depreciation	(58,442)	(42,244)	-	-
Carrying value	<u>886,401</u>	<u>784,000</u>	<u>-</u>	<u>-</u>

### 13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	50,300	50,300

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 October 2017 and 30 September 2018	50,300
<b>Carrying amount</b>	
At 30 September 2018	<u>50,300</u>
At 30 September 2017	<u>50,300</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 14 Subsidiaries

Details of the company's subsidiaries at 30 September 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
MST Fleet Services Limited	England and Wales	In Service Support contracts	Ordinary	100.00	
MST Special Products Limited	England and Wales	Specialised defence products	Ordinary	100.00	
Specialised Inflatable Technology Limited	England and Wales	Inflatable products manufacture	Ordinary	50.00	
Subskimmer Limited	England and Wales	Dormant	Ordinary		100.00

Subskimmer Limited is a 100% owned subsidiary of MST Special Products Limited.

All of the above companies have been included in the consolidated accounts.

### 15 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	4,428,935	3,409,818	2,856,491	1,717,787
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	24,855	21,108	24,855	21,108
Measured at amortised cost	2,471,453	2,698,368	801,831	1,763,515

### 16 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	1,010,540	1,186,682	253,489	280,660
Work in progress	1,728,741	1,476,234	559,961	1,045,103
	2,739,281	2,662,916	813,450	1,325,763

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 17 Debtors

	Group 2018	2017	Company 2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,691,840	2,431,605	130,823	880,024
Amounts owed by group undertakings	-	-	404,065	234,526
Other debtors	11,571	210,432	8,356	166,792
Prepayments and accrued income	327,802	209,981	251,146	122,112
	<u>2,031,213</u>	<u>2,852,018</u>	<u>794,390</u>	<u>1,403,454</u>

### 18 Creditors: amounts falling due within one year

	Group 2018	2017	Company 2018	2017
Notes	£	£	£	£
Bank loans and overdrafts	20 33,040	33,530	-	-
Obligations under finance leases	21 8,678	1,995	8,678	1,995
Trade creditors	1,620,218	1,565,875	306,067	693,886
Amounts due to group undertakings	-	-	226,252	674,099
Corporation tax payable	109,632	142,138	45,457	-
Other taxation and social security	428,845	344,251	80,284	73,059
Derivative financial instruments	24,855	21,108	24,855	21,108
Government grants	59,828	61,049	-	-
Other creditors	15,835	36,693	1,389	-
Accruals and deferred income	1,159,341	1,207,563	746,157	898,770
	<u>3,460,272</u>	<u>3,414,202</u>	<u>1,439,139</u>	<u>2,362,917</u>

### 19 Creditors: amounts falling due after more than one year

	Group 2018	2017	Company 2018	2017
Notes	£	£	£	£
Bank loans and overdrafts	20 107,036	130,656	-	-
Obligations under finance leases	21 63,677	-	63,677	-
	<u>170,713</u>	<u>130,656</u>	<u>63,677</u>	<u>-</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 20 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	139,991	163,611	-	-
Bank overdrafts	85	575	-	-
	<u>140,076</u>	<u>164,186</u>	<u>-</u>	<u>-</u>
Payable within one year	33,040	33,530	-	-
Payable after one year	<u>107,036</u>	<u>130,656</u>	<u>-</u>	<u>-</u>

The Specialised Inflatable Technology Limited bank loans of £139,991 (2017: £163,611) are secured by a debenture over the company and a legal charge over the property purchased by the loan provided and repayable within 5 years.

### 21 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	8,678	1,995	8,678	1,995
In two to five years	63,677	-	63,677	-
	<u>72,355</u>	<u>1,995</u>	<u>72,355</u>	<u>1,995</u>

Finance lease obligations are secured against the assets to which they relate.

### 22 Hedging commitments

The group utilises hedging financial instruments to manage foreign exchange risk and has entered into forward contracts during the year with a commitment to sell predetermined amounts in Euros each month. At the balance sheet date the group has committed to selling a total of €850,000 (2017: €2,700,000).

The fair value of these derivative contracts at the year end was £24,855 (2017: £21,108).

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 23 Provisions for liabilities

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Warranty provision		203,922	187,408	153,922	130,829
Deferred tax liabilities	24	122,555	89,090	59,846	25,941
		<u>326,477</u>	<u>276,498</u>	<u>213,768</u>	<u>156,770</u>

Movements on provisions apart from deferred tax liabilities:

Group	Warranty provision £
At 1 October 2017	187,408
Additions to provision	16,514
At 30 September 2018	<u>203,922</u>
<b>Company</b>	<b>£</b>
At 1 October 2017	130,829
Additions to provision	23,093
At 30 September 2018	<u>153,922</u>

### 24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	105,721	89,090
Revaluations	16,834	-
	<u>122,555</u>	<u>89,090</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 24 Deferred taxation (Continued)

	Liabilities 2018 £	Liabilities 2017 £
<b>Company</b>		
Accelerated capital allowances	59,846	25,941
	<u>59,846</u>	<u>25,941</u>
	<b>Group 2018 £</b>	<b>Company 2018 £</b>
<b>Movements in the year:</b>		
Liability at 1 October 2017	89,090	25,941
Charge to profit or loss	16,631	33,905
Charge to other comprehensive income	16,834	-
	<u>122,555</u>	<u>59,846</u>
Liability at 30 September 2018	<u>122,555</u>	<u>59,846</u>

Tax losses in Marine Specialised Technology Limited of £nil (2017 - £9,880) are available to carry forward against future profits of the same trade. The amount unprovided in Marine Specialised Technology Limited is £nil (2017 - £1,877).

### 25 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	50,647	28,379
	<u>50,647</u>	<u>28,379</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 26 Share capital

	Group and company	
	2018 £	2017 £
<b>Ordinary share capital Issued and fully paid</b>		
81,675 Ordinary class 'A' shares of 1p each	817	817
56,100 Ordinary class 'B' shares of 1p each	561	561
27,225 Ordinary class 'C' shares of 1p each	272	272
	<u>1,650</u>	<u>1,650</u>
	<u>1,650</u>	<u>1,650</u>

Ordinary class 'A' shares rank equally in all respects with ordinary class 'B' and ordinary class 'C' shares.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 27 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	231,000	231,000	115,000	115,000
Between two and five years	105,667	336,667	76,667	191,667
	<u>336,667</u>	<u>567,667</u>	<u>191,667</u>	<u>306,667</u>

### 28 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	<u>141,379</u>	<u>134,537</u>

The group has taken advantage of the disclosure exemptions to which it is entitled regarding transactions between parent and 100% owned subsidiary companies.

#### Specialised Inflatable Technology Limited

The parent owns 50% of the share capital of Specialised Inflatable Technology Limited. During the year the group made purchases of £893,444 (2017 - £765,417) and sales of £nil (2017 - £3,100) with Specialised Inflatable Technology Limited. The group also received a management charge of £24,000 (2017 - £33,900) from Specialised Inflatable Technology Limited. At the year end the company was owed £25,018 from Marine Specialised Technology Limited (2017 - £42,992), £156,593 from MST Fleet Services Limited (2017 - £288,129) and £nil from MST Special Products Limited (2017 - £72,402).

Dividends of £nil (2017 - £30,000) were paid to Marine Specialised Technology Limited by the company during the year.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 29 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	1,187,504	1,041,330
Adjustments for:		
Taxation charged	109,516	142,941
Finance costs	21,178	18,573
(Gain)/loss on disposal of tangible fixed assets	(3,369)	3,763
Amortisation and impairment of intangible assets	58,300	62,883
Depreciation and impairment of tangible fixed assets	236,935	221,451
Fair value movement on derivatives	3,746	21,108
Increase/(decrease) in provisions	16,514	(38,559)
Movements in working capital:		
(Increase) in stocks	(76,365)	(1,291,198)
Decrease/(increase) in debtors	820,805	(947,307)
Increase in creditors	71,637	1,529,670
<b>Cash generated from operations</b>	<u>2,446,401</u>	<u>764,655</u>