

Company Registration No. 04390226 (England and Wales)

**MARINE SPECIALISED TECHNOLOGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	B W P Kerfoot P T L Hilbert P A Hine
<b>Secretary</b>	Newfield Trust Services Limited
<b>Company number</b>	04390226
<b>Registered office</b>	Unit 2 Atlantic Way Dempster Buildings Brunswick Business Park Liverpool L3 4BE
<b>Auditor</b>	BWM Castle Chambers 43 Castle Street Liverpool L2 9SH
<b>Bankers</b>	Handelsbanken 166 - 169 Exchange Station Tithebarn Street Liverpool L2 2QP

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# MARINE SPECIALISED TECHNOLOGY LIMITED

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# MARINE SPECIALISED TECHNOLOGY LIMITED

## STRATEGIC REPORT

***FOR THE YEAR ENDED 30 SEPTEMBER 2020***

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The directors present the strategic report for the year ended 30 September 2020.

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

The performance of the group in the year was satisfactory albeit sales have continued to be held back by the continuing uncertainty surrounding the terms under which the UK's decision to leave the EU was to be implemented. Sales were somewhat lower than those in the previous year and profits were similar. 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 a profit before taxation of £498,854 on turnover of £12,083,614 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 and presently has a forward order book of over £70 million.

The emergence of the Covid-19 pandemic during the year and its continued effect following the year end has impacted on operations and the group's supply chain. Action has been taken to protect our workers by organising homeworking wherever possible and observing social distancing and strict hygiene arrangements in the workplace. There has been an unavoidable impact on the business with some orders being deferred and some customers being forced to delay delivery dates due to lockdowns closing their premises. Supply chains have been disrupted and we have experienced some difficulties in obtaining components from suppliers both in the UK and overseas. At the time of writing this report we are looking forward to the removal of all remaining restrictions in the UK and the continued successful global roll out of the vaccine programmes.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 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 and the continuing effects of the Coronavirus pandemic.

A significant proportion of the group's activities relate to export markets. The decision of the UK to leave the European Union led to considerable uncertainty in the group's European markets but, following the conclusion of discussions with the EU regarding new trading arrangements, this situation has eased.

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.

### 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 £95,207 (2019 - £471,547) which has enabled the business to develop innovative products that continue to provide a competitive advantage within the industry

# MARINE SPECIALISED TECHNOLOGY LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 30 SEPTEMBER 2020*

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### **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**

30 June 2021

# MARINE SPECIALISED TECHNOLOGY LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The directors present their annual report and financial statements for the year ended 30 September 2020.

### Principal activities

The principal activity of the company continues to be that of a designer, manufacturer and provider of in-service support 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 (now dormant), MST Special Products Limited and Specialised Inflatable Technology Limited which carry on related activities.

### Results and dividends

The results for the year are set out on page 9.

The group profit for the year amounted to £423,970 (2019 - £370,764 excluding minority interest). An interim dividend on the ordinary shares of the company was paid amounting to £nil (2019 - £49,500).

### 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

### 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**

30 June 2021

# **MARINE SPECIALISED TECHNOLOGY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2020***

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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 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 2020 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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 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: <https://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.

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

30 June 2021

**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 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	12,083,614	14,023,764
Cost of sales		(8,792,181)	(9,665,318)
<b>Gross profit</b>		<b>3,291,433</b>	<b>4,358,446</b>
Administrative expenses		(2,856,768)	(4,009,295)
Other operating income		84,041	10,779
<b>Operating profit</b>	<b>4</b>	<b>518,706</b>	<b>359,930</b>
Interest receivable and similar income	<b>8</b>	107	-
Interest payable and similar expenses	<b>9</b>	(19,685)	(6,179)
Amounts written off investments		-	(11,325)
<b>Profit before taxation</b>		<b>499,128</b>	<b>342,426</b>
Tax on profit	<b>10</b>	(74,884)	33,258
<b>Profit for the financial year</b>		<b>424,244</b>	<b>375,684</b>
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets		-	28,200
Tax relating to other comprehensive income		-	(5,358)
<b>Total comprehensive income for the year</b>		<b>424,244</b>	<b>398,526</b>
Profit for the financial year is attributable to:			
- Owners of the parent company		424,244	370,764
- Non-controlling interests		-	4,920
		<b>424,244</b>	<b>375,684</b>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		424,244	393,606
- Non-controlling interests		-	4,920
		<b>424,244</b>	<b>398,526</b>

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 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Goodwill	12		58,300		116,600
Tangible assets	13		2,079,453		1,561,240
			<u>2,137,753</u>		<u>1,677,840</u>
<b>Current assets</b>					
Stocks	17	3,675,640		3,234,764	
Debtors	18	3,065,349		1,770,849	
Cash at bank and in hand		2,094,547		1,188,947	
		<u>8,835,536</u>		<u>6,194,560</u>	
<b>Creditors: amounts falling due within one year</b>	19	(4,456,975)		(2,307,592)	
<b>Net current assets</b>			<u>4,378,561</u>		<u>3,886,968</u>
<b>Total assets less current liabilities</b>			<u>6,516,314</u>		<u>5,564,808</u>
<b>Creditors: amounts falling due after more than one year</b>	20		(587,992)		(139,861)
<b>Provisions for liabilities</b>					
Provisions	24	77,401		104,294	
Deferred tax liability	25	215,892		109,868	
		<u>(293,293)</u>		<u>(214,162)</u>	
<b>Net assets</b>			<u><u>5,635,029</u></u>		<u><u>5,210,785</u></u>
<b>Capital and reserves</b>					
Called up share capital	27		1,650		1,650
Revaluation reserve			94,607		94,607
Capital redemption reserve			449,750		449,750
Profit and loss reserves			5,089,022		4,664,778
<b>Total equity</b>			<u><u>5,635,029</u></u>		<u><u>5,210,785</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2021 and are signed on its behalf by:

B W P Kerfoot  
Director

# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	13	998,209		480,597	
Investments	14	555,155		555,155	
		<u>1,553,364</u>		<u>1,035,752</u>	
<b>Current assets</b>					
Stocks	17	2,335,757		2,012,375	
Debtors	18	3,452,960		2,182,254	
Cash at bank and in hand		1,807,735		1,045,868	
		<u>7,596,452</u>		<u>5,240,497</u>	
<b>Creditors: amounts falling due within one year</b>	19	<u>(4,731,719)</u>		<u>(2,185,987)</u>	
<b>Net current assets</b>			<u>2,864,733</u>		<u>3,054,510</u>
<b>Total assets less current liabilities</b>			<u>4,418,097</u>		<u>4,090,262</u>
<b>Creditors: amounts falling due after more than one year</b>	20		<u>(46,324)</u>		<u>(55,001)</u>
<b>Provisions for liabilities</b>					
Provisions	24	52,401		79,294	
Deferred tax liability	25	171,750		70,342	
		<u>(224,151)</u>		<u>(149,636)</u>	
<b>Net assets</b>			<u><u>4,147,622</u></u>		<u><u>3,885,625</u></u>
<b>Capital and reserves</b>					
Called up share capital	27	1,650		1,650	
Capital redemption reserve		449,750		449,750	
Profit and loss reserves		3,696,222		3,434,225	
<b>Total equity</b>			<u><u>4,147,622</u></u>		<u><u>3,885,625</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 £261,997 (2019 - £1,246,520 profit).

The financial statements were approved by the board of directors and authorised for issue on 30 June 2021 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 2020

	Share capital	Revaluation reserve	Capital redemption loss reserve	Profit and reserves	Non-controlling interest	Total
Notes	£	£	£	£	£	£
<b>Balance at 1 October 2018</b>	1,650	35,882	449,750	4,080,103	4,567,385	816,300
<b>Year ended 30 September 2019:</b>						
Profit for the year	-	-	-	370,764	370,764	4,920
Other comprehensive income:						
Revaluation of tangible fixed assets	-	28,200	-	-	28,200	-
Tax relating to other comprehensive income	-	(5,358)	-	-	(5,358)	-
Total comprehensive income for the year	-	22,842	-	370,764	393,606	4,920
Dividends	-	-	-	(49,500)	(49,500)	(17,070)
Disposal of subsidiary	-	-	-	-	-	(804,150)
Equity attributable to parent in respect of non-controlling interest	-	35,883	-	263,411	299,294	-
<b>Balance at 30 September 2019</b>	1,650	94,607	449,750	4,664,778	5,210,785	-
<b>Year ended 30 September 2020:</b>						
Profit and total comprehensive income for the year	-	-	-	424,244	424,244	-
<b>Balance at 30 September 2020</b>	1,650	94,607	449,750	5,089,022	5,635,029	5,635,029

# MARINE SPECIALISED TECHNOLOGY LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 October 2018</b>		1,650	449,750	2,237,205	2,688,605
<b>Year ended 30 September 2019:</b>					
Profit and total comprehensive income for the year		-	-	1,246,520	1,246,520
Dividends	11	-	-	(49,500)	(49,500)
<b>Balance at 30 September 2019</b>		1,650	449,750	3,434,225	3,885,625
<b>Year ended 30 September 2020:</b>					
Profit and total comprehensive income for the year		-	-	261,997	261,997
<b>Balance at 30 September 2020</b>		1,650	449,750	3,696,222	4,147,622



# MARINE SPECIALISED TECHNOLOGY LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	31		1,195,748		(713,892)
Interest paid			(19,685)		(6,179)
Income taxes refunded/(paid)			1,761		(102,213)
<b>Net cash inflow/(outflow) from operating activities</b>			1,177,824		(822,284)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(730,425)		(121,350)	
Proceeds on disposal of tangible fixed assets		11,028		1,440	
Purchase of fixed asset investments		-		(504,855)	
Interest received		107		-	
<b>Net cash used in investing activities</b>			(719,290)		(624,765)
<b>Financing activities</b>					
Proceeds of new bank loans		600,000		-	
Repayment of bank loans		(140,547)		(23,876)	
Payment of finance leases obligations		(8,677)		(8,677)	
Dividends paid to equity shareholders		-		(49,500)	
Dividends paid to non-controlling interests		-		(17,070)	
<b>Net cash generated from/(used in) financing activities</b>			450,776		(99,123)
<b>Net increase/(decrease) in cash and cash equivalents</b>			909,310		(1,546,172)
Cash and cash equivalents at beginning of year			1,185,237		2,731,409
<b>Cash and cash equivalents at end of year</b>			2,094,547		1,185,237
<b>Relating to:</b>					
Cash at bank and in hand			2,094,547		1,188,947
Bank overdrafts included in creditors payable within one year			-		(3,710)

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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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 freehold properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

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 2020.

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.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 1 Accounting policies

(Continued)

#### 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.

Despite the matters set out in the events after the reporting date note, at the date of approving the financial statements the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group has been able to continue operating throughout the Covid-19 crisis and has a strong future order book in place for the long term together with positive cash flow forecasts for the next 18 months.

#### 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 fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 1 Accounting policies

(Continued)

#### 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
Moulds, plant & machinery	10% straight line / 25% reducing balance
Fixtures, fittings & equipment	25% reducing balance
Computer equipment	33% straight line
Motor vehicles	25% reducing balance / 12.75% straight line

Assets in the course of construction are not depreciated.

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 2020

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### 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 and cash equivalents 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 2020

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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 transaction 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 2020

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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 2020

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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 profit or loss 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 leased 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.

The Job Retention Scheme grant income will be recognised in the period to which the underlying furloughed staff costs relate to.

#### 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.



# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 1 Accounting policies

(Continued)

#### 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.

#### 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 and paid. 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.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 2 Judgements and key sources of estimation uncertainty

(Continued)

#### **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 13.

#### ***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 18.

#### ***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 24.

#### ***Absorption costing rates***

The group uses estimates and assumptions in calculating labour rates and overhead absorption rates when valuing work in progress. The labour rates are based on the total labour cost for employees in each division divided by the number of productive hours for each division. The overhead absorption rate is based on the total overheads divided by the total number of productive hours for all divisions.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 3 Turnover and other revenue

	2020	2019
	£	£
<b>Other significant revenue</b>		
Interest income	107	-
Grants received	21,321	6,279
Job Retention Scheme Grants	39,539	-
	<u>60,967</u>	<u>6,279</u>

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

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	33,759	48,697
Research and development costs	95,207	471,547
Government grants	(21,321)	(6,279)
Depreciation of owned tangible fixed assets	189,505	237,867
Depreciation of tangible fixed assets held under finance leases	11,678	11,678
(Profit)/loss on disposal of tangible fixed assets	-	1,584
Amortisation of intangible assets	58,300	58,300
Operating lease charges	242,554	290,635
	<u>520,473</u>	<u>824,391</u>

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 £33,759 loss (2019 - £48,424 loss).

### 5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	12,740	16,000
Audit of the financial statements of the company's subsidiaries	7,500	7,255
	<u>20,240</u>	<u>23,255</u>
<b>For other services</b>		
All other non-audit services	7,347	8,005
	<u>7,347</u>	<u>8,005</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Production	68	89	36	57
Design/Engineering	11	13	10	12
Project Management	5	4	4	3
Administration	31	39	26	34
Directors	3	3	3	3
Total	118	148	79	109

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	3,362,841	3,953,181	2,561,135	3,096,866
Social security costs	295,168	355,341	238,065	294,655
Pension costs	84,719	82,621	63,723	65,954
	3,742,728	4,391,143	2,862,923	3,457,475

### 7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	119,508	112,193

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

### 8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	107	-
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	107	-

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 9 Interest payable and similar expenses

	2020	2019
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	18,550	5,044
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	1,135	1,135
Total finance costs	<u>19,685</u>	<u>6,179</u>

### 10 Taxation

	2020	2019
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	2,596	(8,432)
Adjustments in respect of prior periods	187	4,333
Total UK current tax	<u>2,783</u>	<u>(4,099)</u>
Foreign current tax on profits for the current period	1,412	6,443
Adjustments in foreign tax in respect of prior periods	(14,307)	-
Total current tax	<u>(10,112)</u>	<u>2,344</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	84,996	(35,602)
Total tax charge/(credit)	<u>74,884</u>	<u>(33,258)</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 10 Taxation

(Continued)

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

	2020 £	2019 £
Profit before taxation	499,128	342,426
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	94,834	65,061
Tax effect of expenses that are not deductible in determining taxable profit	11,537	14,098
Gains not taxable	-	301
Unutilised tax losses carried forward	36,850	15,800
Adjustments in respect of prior years	2,783	4,333
Double tax relief	(1,204)	(6,443)
Permanent capital allowances in excess of depreciation	(141,043)	(28,195)
Depreciation on assets not qualifying for tax allowances	38,225	47,413
Research and development tax credit	(23,222)	(116,467)
Other - MST Fleet NL	(12,895)	6,443
Deferred tax movement	84,996	(35,602)
Tax losses utilised	(15,977)	-
Taxation charge/(credit)	74,884	(33,258)

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:

	2020 £	2019 £
Deferred tax arising on:		
Revaluation of property	-	5,358

The group has unrelieved tax losses carried forward of £193,946 (2019: £83,157), a deferred tax asset of £36,850 (2019: £15,800) relating to these losses has been fully included in the accounts.

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 11 Dividends

	2020 £	2019 £
<b>Group</b>		
Ordinary dividends paid	-	49,500
Dividends paid to minority interest	-	17,070
	<u>-</u>	<u>66,570</u>
	<u>-</u>	<u>66,570</u>
<b>Company</b>		
Ordinary dividends paid	-	49,500
	<u>-</u>	<u>49,500</u>
	<u>-</u>	<u>49,500</u>

### 12 Intangible fixed assets

Group	Goodwill £	Know how £	Total £
<b>Cost</b>			
At 1 October 2019 and 30 September 2020	527,740	25,000	552,740
<b>Amortisation and impairment</b>			
At 1 October 2019	411,140	25,000	436,140
Amortisation charged for the year	58,300	-	58,300
At 30 September 2020	469,440	25,000	494,440
<b>Carrying amount</b>			
At 30 September 2020	58,300	-	58,300
At 30 September 2019	116,600	-	116,600

The company had no intangible fixed assets at 30 September 2020 or 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

## Group

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# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Company	Assets under construction	Moulds, plant & machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost or valuation</b>						
At 1 October 2019	-	969,511	653,863	118,223	213,142	1,954,739
Additions	576,529	33,285	39,452	-	11,029	660,295
Disposals	-	(95,888)	-	-	-	(95,888)
At 30 September 2020	576,529	906,908	693,315	118,223	224,171	2,519,146
<b>Depreciation and impairment</b>						
At 1 October 2019	-	726,584	579,363	98,375	69,547	1,473,869
Depreciation charged in the year	-	51,807	46,725	14,043	30,381	142,956
Eliminated in respect of disposals	-	(95,888)	-	-	-	(95,888)
At 30 September 2020	-	682,503	626,088	112,418	99,928	1,520,937
<b>Carrying amount</b>						
At 30 September 2020	576,529	224,405	67,227	5,805	124,243	998,209
At 30 September 2019	-	242,909	74,245	19,848	143,595	480,597

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Motor vehicles	58,497	70,176	58,497	70,176

### Group

Freehold Land and buildings were revalued at £990,000 on 14 May 2019 by Eckersley, 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.

The following assets are carried at valuation. If the assets were measured using the cost model, the carrying amounts would be as follows:

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 13 Tangible fixed assets (Continued)

	2020 £	2019 £
<b>Group</b>		
Cost	944,843	944,843
Accumulated depreciation	(96,236)	(77,339)
Carrying value	848,607	867,504

### 14 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	15	-	-	555,155	555,155

#### Movements in fixed asset investments Company

	Shares in subsidiaries £
<b>Cost or valuation</b>	
At 1 October 2019 and 30 September 2020	555,155
<b>Carrying amount</b>	
At 30 September 2020	555,155
At 30 September 2019	555,155

### 15 Subsidiaries

Details of the company's subsidiaries at 30 September 2020 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	Dormant	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	75.00	-
Subskimmer Limited	England and Wales	Dormant	Ordinary	0	100.00

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 15 Subsidiaries

(Continued)

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

On 30 April 2019, Marine Specialised Technology Limited acquired a further 25% of the shares of Specialised Inflatable Technology Limited with a call and put option in respect of purchasing the remaining 25% in 3 years time. This has been treated as an 100% owned subsidiary for consolidation purposes with deferred consideration due of £1.

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

### 16 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	4,388,752	2,628,322	4,472,785	2,862,814
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	-	36,180	-	36,180
Measured at amortised cost	2,576,994	1,877,465	2,293,916	1,738,286

### 17 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	1,094,170	952,249	517,659	534,363
Work in progress	2,581,470	2,282,515	1,818,098	1,478,012
	3,675,640	3,234,764	2,335,757	2,012,375

### 18 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,202,433	1,337,224	1,974,737	966,242
Corporation tax recoverable	-	8,478	-	-
Amounts owed by group undertakings	-	-	687,739	848,323
Other debtors	363,229	63,403	339,956	62,432
Prepayments and accrued income	461,102	344,187	413,678	305,257
	3,026,764	1,753,292	3,416,110	2,182,254
Deferred tax asset (note 25)	38,585	17,557	36,850	-
	3,065,349	1,770,849	3,452,960	2,182,254

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Bank loans and overdrafts	21	33,900	34,965	-	3,230
Obligations under finance leases	22	8,677	8,677	8,677	8,677
Trade creditors		1,580,566	1,285,872	1,411,805	1,096,055
Amounts owed to group undertakings		-	-	599,099	297,482
Corporation tax payable		1,412	18,241	1,412	18,241
Other taxation and social security		75,068	85,116	60,176	70,256
Derivative financial instruments		-	36,180	-	36,180
Government grants		31,651	52,972	-	-
Other creditors		67,763	36,833	63,300	29,319
Accruals and deferred income		2,657,938	748,736	2,587,250	626,547
		<u>4,456,975</u>	<u>2,307,592</u>	<u>4,731,719</u>	<u>2,185,987</u>

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

		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Bank loans and overdrafts	21	541,668	84,860	-	-
Obligations under finance leases	22	46,324	55,001	46,324	55,001
		<u>587,992</u>	<u>139,861</u>	<u>46,324</u>	<u>55,001</u>

### 21 Loans and overdrafts

		Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans		575,568	116,115	-	-
Bank overdrafts		-	3,710	-	3,230
		<u>575,568</u>	<u>119,825</u>	<u>-</u>	<u>3,230</u>
Payable within one year		33,900	34,965	-	3,230
Payable after one year		541,668	84,860	-	-

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 21 Loans and overdrafts

(Continued)

The Specialised Inflatable Technology Limited bank loans of £575,568 (2019: £116,115) with Handelsbanken were secured by a first legal charge over the company's property and its associated assets, together with a debenture over the company's whole assets and undertakings. This loan has paid off the previous loan with Natwest Bank PLC. At the year end £431,491 is repayable at the end of the loan term, with the remaining loan repayable by instalments.

The bank borrowings with Handelsbanken of £nil (2019: £3,710) are secured by a floating charge over the property and undertaking of the company in which the overdraft has arisen.

### 22 Finance lease obligations

	Group 2020 £	2019 £	Company 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Within one year	8,677	8,677	8,677	8,677
In two to five years	46,324	55,001	46,324	55,001
	<u>55,001</u>	<u>63,678</u>	<u>55,001</u>	<u>63,678</u>

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

### 23 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 €nil (2019: €1,500,000).

The fair value of these derivative contracts at the year end was £nil (2019: £36,180).

### 24 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Warranty provision		77,401	104,294	52,401	79,294
Deferred tax liabilities	25	215,892	109,868	171,750	70,342
		<u>293,293</u>	<u>214,162</u>	<u>224,151</u>	<u>149,636</u>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 24 Provisions for liabilities

(Continued)

Movements on provisions apart from deferred tax liabilities:

	Warranty provision £
<b>Group</b>	
At 1 October 2019	104,294
Utilisation of provision	(26,893)
	<hr/>
At 30 September 2020	77,401
	<hr/>
	Warranty provision £
<b>Company</b>	
At 1 October 2019	79,294
Utilisation of provision	(26,893)
	<hr/>
At 30 September 2020	52,401
	<hr/>

### 25 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Group</b>				
Accelerated capital allowances	193,700	87,676	1,735	1,757
Tax losses	-	-	36,850	15,800
Revaluations	22,192	22,192	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	215,892	109,868	38,585	17,557
	<hr/>	<hr/>	<hr/>	<hr/>
	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Company</b>				
Accelerated capital allowances	171,750	70,342	-	-
Tax losses	-	-	36,850	-
	<hr/>	<hr/>	<hr/>	<hr/>
	171,750	70,342	36,850	-
	<hr/>	<hr/>	<hr/>	<hr/>

# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 25 Deferred taxation (Continued)

	Group 2020 £	Company 2020 £
<b>Movements in the year:</b>		
Liability at 1 October 2019	92,311	70,342
Charge to profit or loss	84,996	64,558
Liability at 30 September 2020	<u>177,307</u>	<u>134,900</u>

### 26 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>84,719</u>	<u>82,621</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.

### 27 Share capital

	Group and company 2020 £	2019 £
<b>Ordinary share capital</b>		
<b>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>

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 2020

### 28 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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	177,355	151,105	177,355	151,105
Between two and five years	709,420	488,420	709,420	488,420
In over five years	411,064	305,263	411,064	305,263
	<u>1,297,839</u>	<u>944,788</u>	<u>1,297,839</u>	<u>944,788</u>

### 29 Events after the reporting date

Since the year end the continuance of the Covid-19 infection has impacted on operations and the group's supply chain. The group has continued to trade throughout the lockdown and action has been taken to protect workers by organising homeworking wherever possible and observing social distancing and strict hygiene arrangements in the workplace. It is too early to assess what overall impact the pandemic will have on the business but the group has already seen some customers being forced to defer delivery dates due to lockdowns closing their premises and some difficulties in obtaining components from suppliers both in the UK and overseas. The directors are cautiously optimistic that the effect will be limited if the lockdown of business is eased and we are able to cover any shortfalls in cashflows by using the Government emergency funding schemes. The group has a strong future order book for the long term and positive cash flow forecasts for the next 18 months.

### 30 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	<u>209,441</u>	<u>137,624</u>

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



# MARINE SPECIALISED TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 31 Cash generated from group operations

	2020 £	2019 £
Profit for the year after tax	424,244	375,684
Adjustments for:		
Taxation charged/(credited)	74,884	(33,258)
Finance costs	19,685	6,179
Investment income	(107)	-
(Gain)/loss on disposal of tangible fixed assets	-	1,584
Amortisation and impairment of intangible assets	58,300	58,300
Depreciation and impairment of tangible fixed assets	201,183	249,545
(Decrease) in provisions	(26,893)	(99,628)
Movements in working capital:		
(Increase) in stocks	(440,876)	(495,483)
(Increase)/decrease in debtors	(1,281,949)	286,398
Increase/(decrease) in creditors	2,167,277	(1,063,213)
<b>Cash generated from/(absorbed by) operations</b>	<b>1,195,748</b>	<b>(713,892)</b>

### 32 Analysis of changes in net funds - group

	1 October 2019 £	Cash flows £	30 September 2020 £
Cash at bank and in hand	1,188,947	905,600	2,094,547
Bank overdrafts	(3,710)	3,710	-
	<u>1,185,237</u>	<u>909,310</u>	<u>2,094,547</u>
Borrowings excluding overdrafts	(116,115)	(459,453)	(575,568)
Obligations under finance leases	(63,678)	8,677	(55,001)
	<u>1,005,444</u>	<u>458,534</u>	<u>1,463,978</u>

### 33 Analysis of changes in net funds - company

	1 October 2019 £	Cash flows £	30 September 2020 £
Cash at bank and in hand	1,045,868	761,867	1,807,735
Bank overdrafts	(3,230)	3,230	-
	<u>1,042,638</u>	<u>765,097</u>	<u>1,807,735</u>
Obligations under finance leases	(63,678)	8,677	(55,001)
	<u>978,960</u>	<u>773,774</u>	<u>1,752,734</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.