

**Company Registration No: NI006278**

**MUNSTER SIMMS ENGINEERING LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**For the year ended 31 December 2015**



# **MUNSTER SIMMS ENGINEERING LTD**

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# **MUNSTER SIMMS ENGINEERING LTD**

## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

J P Zelisko  
M T Vaughn  
P E W Roberts  
D P Eide  
J B Fox

### **SECRETARY**

M T Vaughn

### **AUDITOR**

Deloitte (NI) Limited  
Belfast

### **BANKERS**

Bank of Ireland  
1 Donegall Square South  
Belfast  
BT1 5LR

### **SOLICITORS**

Carson McDowell  
Murray House  
4 Murray Street  
Belfast  
BT1 6DN

### **REGISTERED OFFICE**

2 Enterprise Road  
Bangor  
Co Down  
BT19 7TA

# MUNSTER SIMMS ENGINEERING LTD

## STRATEGIC REPORT

In preparing this Strategic Report, the directors have complied with s414C of the Companies Act 2006.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of the design, manufacture and marketing, nationally and internationally, of water systems and heating components for the caravan, marine and commercial trades.

On 16 June 2014 the company and its immediate parent company PSW NI Limited were acquired by Brunswick Corporation. As a result of this acquisition there were a number of one-off exceptional costs, the impact of these are described in note 5.

During the preceding year the company disposed of its distribution and manufacturing operations in the USA, these activities were classified as discontinued operations. It also disposed of its subsidiary Whale Seaward Inc to another Brunswick Group entity.

Profit before taxation for the year was £2,069,738 (2014: £1,464,022 before exceptional items). The directors are satisfied with this performance.

	2015	2014
	£	£
Profit before exceptional items and tax	2,069,738	1,464,022
Exceptional administration expenses	-	(2,071,760)
Loss on sale of subsidiary undertakings	-	(108,849)
Profit/(loss) on ordinary activities before tax	<u>2,069,738</u>	<u>(716,587)</u>

### KEY PERFORMANCE INDICATORS

The company's key financial and other performance indicators include the attainment of the budget sales and profit targets, improving gross margins and a number of other non-financial KPIs such as the training and development of the senior management team. The directors are satisfied with the performance against KPIs in the year.

### FUTURE DEVELOPMENTS

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of the continued investment in new product development and the continuing impact of synergies gained following the acquisition of the company by Brunswick Corporation.

### RISK MANAGEMENT AND STRATEGY

The company's principal financial instruments comprise intercompany funding, and cash and short term deposits. The company has various other financial instruments such as trade creditors that arise directly from its operations. The company does not trade in financial instruments.

The company's financial risk management objectives and policies are operated by the Board. Treasury policies include defined controls on the use of financial instruments in managing risks. The principal financial risks faced by the company relate to foreign exchange

# **MUNSTER SIMMS ENGINEERING LTD**

## **STRATEGIC REPORT (Continued)**

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

#### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company does not hedge its foreign exchange risk.

#### *Credit risk*

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The company's credit risk is primarily attributable to its trade receivables and group debt. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of third party credit risk, with exposure spread over a large number of third party counterparties and customers.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a combination of external and intercompany treasury arrangements.

### **APPROVAL**

Approved by the board of directors and signed on its behalf by:



P E W Roberts  
Director  
10 June 2016

# **MUNSTER SIMMS ENGINEERING LTD**

## **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 December 2015.

### **RESULTS AND DIVIDENDS**

The profit for the financial year was £1,734,960 (2014: loss of £854,939) and is shown in the profit and loss account on page 8. An interim dividend of £575,000 (149.45p per ordinary share) was paid on 30 November 2015 (2014: £nil). The directors do not recommend payment of a final dividend (2014: £nil).

### **DIRECTORS**

The directors, who served throughout the year, and to the date of this report, except as noted, were as follows:

J P Zelisko  
M T Vaughn  
P E W Roberts (appointed 9 April 2015)  
D P Eide (appointed 9 April 2015)  
J B Fox (appointed 9 April 2015)  
D G Kusek (resigned 9 April 2015)  
C D Drees (resigned 9 March 2015)

### **RESEARCH AND DEVELOPMENT**

The directors recognise the importance of research and development to the future of the company and are committed to continued investment in this strategic area. Further details on research and development can be found in the Statement of Accounting Policies in the financial statements.

### **CHARITABLE DONATIONS**

	2015 £	2014 £
During the year the company made the following payments:		
Charitable donations	1,872	40,000

### **GOING CONCERN**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the financial statements.

### **APPROVAL OF REDUCED DISCLOSURES**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by PSW (NI) Ltd, as the immediate parent of the entity, or by a shareholder/s holding in aggregate 5 per cent or more of the total allocated shares in the Company or more than half of the allotted shares in the entity not held by PSW (NI) Ltd as the immediate parent.

# **MUNSTER SIMMS ENGINEERING LTD**

## **DIRECTORS' REPORT (Continued)**

### **STRATEGIC REPORT**

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the company during the year, its position at the end of the year and of the likely developments in the business. Details of the financial risks are also included in the Strategic Report

### **AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte (NI) Limited has been deemed reappointed under section 487 of the 2006 Act.

Approved by the board of directors and signed on its behalf by:



P E W Roberts  
Director  
10 June 2016

## **MUNSTER SIMMS ENGINEERING LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNSTER SIMMS ENGINEERING LTD**

We have audited the financial statements of Munster Simms Engineering Ltd for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2015 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Dawn Johnston*

Dawn Johnston FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte (NI) Limited  
Chartered Accountants and Statutory Auditor  
Belfast, United Kingdom  
10 June 2016

# MUNSTER SIMMS ENGINEERING LTD

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2015

	Note	2015 £	2015 £	2014 £	2014 £
<b>TURNOVER</b>					
Continuing activities	1	16,500,712		14,296,833	
Discontinued activities	23	-		2,511,384	
Total turnover	3		16,500,712		16,808,217
Cost of sales			(10,520,063)		(10,593,860)
Gross profit			5,980,649		6,214,357
Distribution costs			(276,325)		(265,228)
Other administrative expenses		(3,723,020)		(4,836,820)	
Exceptional administrative expenses	5	-		(2,071,760)	
Total administrative expenses			(3,723,020)		(6,908,580)
<b>OPERATING PROFIT/(LOSS)</b>					
Continuing activities		1,981,304		(1,765,667)	
Discontinued activities	23	-		806,216	
Total operating profit/(loss)			1,981,304		(959,451)
Loss on sale of subsidiary undertaking	10	-			(108,849)
Finance income (net)	4		88,434		351,713
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5		2,069,738		(716,587)
Tax on profit/(loss) on ordinary activities	6		(334,778)		(138,352)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>			1,734,960		(854,939)

The accompanying notes form an integral part of these financial statements.

# **MUNSTER SIMMS ENGINEERING LTD**

## **STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the financial year	1,734,960	(854,939)
Currency translation differences on foreign currency net investments	-	(16,901)
Gains arising on realisation of revaluation reserve	-	424,789
	<hr/>	<hr/>
Total comprehensive income	<u>1,734,960</u>	<u>(447,051)</u>


# MUNSTER SIMMS ENGINEERING LTD

## BALANCE SHEET At 31 December 2015

	Note	2015 £	2014 £
<b>FIXED ASSETS</b>			
Intangible assets	8	-	-
Tangible assets	9	2,474,856	3,412,753
Investments	10	103,018	103,018
		<u>2,577,874</u>	<u>3,515,771</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,318,461	2,161,687
Debtors	12	17,734,842	18,973,654
Cash at bank and in hand		2,100,097	548,822
		<u>22,153,400</u>	<u>21,684,163</u>
<b>CREDITORS – amounts falling due within one year</b>	13	(2,678,151)	(3,866,465)
<b>NET CURRENT ASSETS</b>		<u>19,475,249</u>	<u>17,817,698</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>22,053,123</u>	<u>21,333,469</u>
<b>CREDITORS – amounts falling due after more than one year</b>	14	(5,395)	(437,068)
<b>PROVISIONS FOR LIABILITIES</b>	15	(119,758)	(128,391)
<b>NET ASSETS</b>		<u><u>21,927,970</u></u>	<u><u>20,768,010</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	384,750	384,750
Share premium account	16	254,395	254,395
Capital contribution reserve	16	4,890,515	4,890,515
Profit and loss account	16	16,398,310	15,238,350
<b>SHAREHOLDERS' FUNDS</b>		<u><u>21,927,970</u></u>	<u><u>20,768,010</u></u>

The accompanying notes form an integral part of these financial statements.

These financial statements of Munster Simms Engineering Limited (registered number NI006278) were approved by the board of directors and authorised for issue on 10 June 2016. They were signed on its behalf by:

  
P E W Roberts  
Director

# MUNSTER SIMMS ENGINEERING LTD

## STATEMENT OF CHANGES IN EQUITY At 31 December 2015

	Called-up share capital £	Share premium account £	Revaluation reserve £	Capital contribution reserve £	Profit and loss account £	Total £
<b>At 31 December 2013 as previously stated</b>	<b>384,750</b>	<b>254,395</b>	<b>424,789</b>	<b>666,309</b>	<b>15,685,401</b>	<b>17,415,644</b>
Changes on transition to FRS 102 (see note 22)	-	-	-	-	-	-
<b>At 1 January 2014</b>	<b>384,750</b>	<b>254,395</b>	<b>424,789</b>	<b>666,309</b>	<b>15,685,401</b>	<b>17,415,644</b>
Loss for the financial year	-	-	-	-	(854,939)	(854,939)
Gains arising on realisation of revaluation reserve	-	-	(424,789)	-	424,789	-
Currency translation differences on foreign currency net investments	-	-	-	-	(16,901)	(16,901)
Total comprehensive income	-	-	(424,789)	-	(447,051)	(871,840)
Capital contribution	-	-	-	4,224,206	-	4,224,206
<b>At 31 December 2014</b>	<b>384,750</b>	<b>254,395</b>	<b>-</b>	<b>4,890,515</b>	<b>15,238,350</b>	<b>20,768,010</b>
Profit for the financial year and total comprehensive income	-	-	-	-	1,734,960	1,734,960
Dividends paid on equity shares	-	-	-	-	(575,000)	(575,000)
<b>At 31 December 2015</b>	<b>384,750</b>	<b>254,395</b>	<b>-</b>	<b>4,890,515</b>	<b>16,398,310</b>	<b>21,927,970</b>

The accompanying notes form an integral part of these financial statements.

## **MUNSTER SIMMS ENGINEERING LTD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

#### **1. ACCOUNTING POLICIES**

##### **Basis of Accounting**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding financial year.

##### **Basis of preparation**

Munster Simms Engineering Limited is a company incorporated in Northern Ireland under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost accounting convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

No restatement of prior year financial statements is required as there were no material adjustments on adoption of FRS 102 in the current year. For more information see note 22.

The functional currency of Munster Simms Engineering Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Munster Simms Engineering Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Munster Simms Engineering Limited is consolidated in the financial statements of its parent, Brunswick Corporation, which may be obtained from its registered office, 1 N. Field Court, Lake Forest, Illinois. Exemptions have been taken in these separate financial statements in relation to the financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

##### **Group accounts**

The company is a wholly owned subsidiary of Brunswick Corporation, a company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. These financial statements present information about the company as an individual undertaking. They do not present information regarding the group.

##### **Going concern**

The company's business activities, together with any factors likely to affect its future development, performance and position are set out in the strategic report, which further describes, where applicable, the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Turnover**

Turnover is stated net of VAT and trade discounts. Turnover is recognised upon shipment of products, which is when title to the product is, and the significant risks and rewards are considered to have been, transferred to the customer.

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the company is expected to benefit. This period is determined to be five years. Provision is made for any impairment.

Separately acquired intellectual property are included at cost and amortised in equal annual instalments over a period of 5 years which is their estimated useful economic life. Provision is made for any impairment.

#### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings leasehold	4% straight line
Plant and machinery	10 – 25% straight line
Fixtures, fittings and equipment	20% straight line
Motor vehicles	25% reducing balance

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Individual freehold properties are revalued to fair value every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

#### Leasing and hire purchase commitments

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

## MUNSTER SIMMS ENGINEERING LTD

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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

##### (i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the certain conditions are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### (ii) *Investments*

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

##### (iii) *Equity instruments*

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

##### (iv) *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.



## **MUNSTER SIMMS ENGINEERING LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Pensions**

Retirement benefits to employees of the company are provided through a defined contribution pension scheme. Amounts charged to the profit and loss account, in respect of pension costs, are the contributions payable by the company under the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **Taxation**

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

## **MUNSTER SIMMS ENGINEERING LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ended 31 December 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Government grants**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

##### **Share based payments**

The company provides equity-settled share-based payments, in respect restricted stock units (RSU's) in the parent company, Brunswick Corporation Inc, to certain employees. The required disclosures are therefore included in the consolidated financial statements of Brunswick Corporation Inc. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

#### **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the company's accounting policies**

There were no critical judgements, apart from those involving estimations (which are dealt with below), that the directors have made in the process of applying the company's accounting policies.

##### **Key source of estimation uncertainty – fixed assets**

At each reporting date, the company reviews the carrying value of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss and that the appropriate depreciation rates have been applied. This review requires an element of judgement when determining the recoverable amount.

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 3. TURNOVER

	2015 £	2014 £
Sale of goods	16,500,712	16,808,217

No further analysis of turnover is presented as the directors consider such disclosure to be seriously prejudicial to the company's interests.

### 4. FINANCE COST (NET)

	2015 £	2014 £
Investment and similar income	168,679	487,083
Less Interest payable and similar charges	(80,245)	(135,370)
	88,434	351,713

#### Investment and similar income

	2015 £	2014 £
Bank interest	162	87
Other interest	15	-
Government grants	33,896	385,618
R&D expenditure credit	134,606	101,378
	168,679	487,083

#### Interest payable and similar charges

	2015 £	2014 £
Bank loans and overdrafts	6,002	127,782
Finance leases and hire purchase contracts	11,326	7,588
Other loans	62,917	-
	80,245	135,370

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015 £	2014 £
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets		
- owned	583,774	567,317
- leased	58,044	92,545
Cost of stock recognised as an expense	5,667,945	6,248,943
Impairment of tangible fixed assets	-	1,150,644
Amortisation of intangible assets	-	161,197
Research and development	1,254,809	1,013,783
Government grants	339,456	612,391
Operating lease rentals		
Property	104,500	87,259
Other	54,165	28,368
Foreign exchange (gain)/loss	(30,873)	29,081
Loss/(gain) on disposal of fixed assets	15,162	(156,224)
Loss on sale of discontinued activities	-	108,849

The company experienced a number of one-off exceptional costs in the prior year, totalling £2,071,760, as a result of decisions made following the acquisition by Brunswick Corporation. The impairment of tangible fixed assets, £1,150,644, was an outcome of that exercise. There were no corresponding costs in the current year.

Fees payable to Deloitte (NI) Limited for the audit of the company's annual accounts were £17,500 (2014: £17,500). The comparative relates to Deloitte LLP.

Fees payable to Deloitte (NI) Limited for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2015 £	2014 £
<b>Current tax on profit/(loss) on ordinary activities</b>		
UK corporation tax for the year	343,411	21,789
Total current tax	343,411	21,789
<b>Deferred taxation</b>		
Origination and reversal of timing differences	8,144	(172,165)
Adjustments in respect of prior periods	(3,636)	278,031
Effect of changes in tax rates	(13,141)	10,697
Total deferred tax (see note 15)	(8,633)	116,563
Total tax on profit/(loss) on ordinary activities before taxation	334,778	138,352

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)

	£	£
Profit/(loss) on ordinary activities	2,069,738	(716,587)
Profit/(loss) on ordinary activities at standard rate of 20.25% (2014: 21.49%)	419,051	(154,017)
Factors affecting charge for the year:		
Non-deductible expenses	14,365	38,251
Adjustments to previous periods	(3,636)	278,031
Group relief not paid for	(157,984)	(34,610)
Transfer pricing adjustments	76,123	-
Tax rate changes	(13,141)	10,697
Total tax charge for the year	334,778	138,352

During the year the UK corporation tax rate reduced from 21% to 20%. The change was effective from 1 April 2015 and thus the statutory rate for the year is 20.25%.

The Finance (No.2) Act 2015, which was substantively enacted in October 2015, provided that the main rate of corporation tax would further reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The Finance Act 2016, which is not yet substantively enacted, provides that the main rate of corporation tax will be 17% rather than 18% with effect from 1 April 2020.

The above rate changes will decrease any future UK corporation tax liabilities of the company.

### 7. DIVIDENDS ON EQUITY SHARES

	2015 £	2014 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2015 of 149.45p (2014: £nil) per ordinary share	575,000	-
No final dividend has been proposed (2014: none)		

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 8. INTANGIBLE FIXED ASSETS

	Intellectual Property £	Development Costs £	Total £
<b>Cost</b>			
At 1 January 2015			
and 31 December 2015	184,277	205,986	390,263
<b>Amortisation</b>			
At 1 January 2015			
and 31 December 2015	184,277	205,986	390,263
<b>Net book value</b>			
at 31 December 2015	-	-	-
<b>Net book value</b>			
at 31 December 2014	-	-	-

### 9. TANGIBLE FIXED ASSETS

	Land and Buildings Leasehold £	Plant and Machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2015	2,973,317	7,202,466	1,467,415	42,972	11,686,170
Additions during the year	80,848	243,815	67,471	11,950	404,084
Disposals for year	(772,061)	(27,150)	-	-	(799,211)
At 31 December 2015	2,282,104	7,419,131	1,534,886	54,922	11,291,043
<b>Depreciation</b>					
At 1 January 2015	1,304,504	5,878,850	1,070,904	19,159	8,273,417
Charge for year	76,339	442,368	118,676	4,435	641,818
Disposals for year	(97,892)	(1,156)	-	-	(99,048)
At 31 December 2015	1,282,951	6,320,062	1,189,580	23,594	8,816,187
<b>Net book value</b>					
at 31 December 2015	999,153	1,099,069	345,306	31,328	2,474,856
<b>Net book value</b>					
at 31 December 2014	1,668,813	1,323,616	396,511	23,813	3,412,753

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
<b>Net book values</b>	
At 31 December 2015	165,499
At 31 December 2014	252,699

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 10. FIXED ASSET INVESTMENTS

Cost or valuation	Investments in subsidiary undertakings £
At 1 January 2015 and 31 December 2015	257,162
<b>Provisions for impairment</b>	
At 1 January 2015 and 31 December 2015	154,144
<b>Net book value</b>	
At 31 December 2015	103,018
At 31 December 2014	103,018

Investments in subsidiary undertakings at 31 December 2015 comprise the following holdings:

	Country of incorporation	Holding	Principal activity
Munster Simms (NI) Limited	United Kingdom	100%	Dormant
Denton Greenwood Limited	United Kingdom	100%	Dormant
Henderson Pumps & Equipment Limited	United Kingdom	100%	Dormant
Whale Limited	United Kingdom	100%	Dormant

In the prior year the company disposed of its subsidiary Whale Seaward Inc to another Brunswick Group entity.

### 11. STOCKS

	2015 £	2014 £
Raw materials and consumables	1,899,773	1,459,615
Finished goods	418,688	702,072
	<u>2,318,461</u>	<u>2,161,687</u>

### 12. DEBTORS

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	2,066,159	2,332,162
Amounts owed by parent and fellow subsidiary undertakings	15,121,926	16,200,141
Other debtors	378,025	205,358
Prepayments and accrued income	168,732	156,404
Tax debtor	-	79,589
	<u>17,734,842</u>	<u>18,973,654</u>

Amounts owed by parent and fellow subsidiary undertakings are unsecured and no interest was charged on this amount in the current year (2014: £Nil).

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 13. CREDITORS: amounts falling due within one year

	2015 £	2014 £
Net obligations under hire purchase contracts	65,361	70,092
Trade creditors	728,520	1,068,216
Amounts owed to group undertakings	824,304	1,617,161
Corporation tax	57,273	-
Other taxes and social security costs	111,190	136,061
Other creditors and borrowings	416,005	493,780
Accruals and deferred income	475,498	481,155
	<u>2,678,151</u>	<u>3,866,465</u>

### 14. CREDITORS: amounts falling due after more than one year

	2015 £	2014 £
Net obligations under hire purchase contracts	5,395	72,686
Other loans	-	364,382
	<u>5,395</u>	<u>437,068</u>

Borrowings are repayable as follows:

	2015 £	2014 £
<u>Other loans:</u>		
Wholly repayable within two to five years	-	364,382
Included in current liabilities	357,402	-
	<u>357,402</u>	<u>364,382</u>
<u>Finance leases:</u>		
Repayable within one year	66,994	70,092
Repayable between one and five years	5,406	72,686
	<u>72,400</u>	<u>142,778</u>
Finance charges and interest allocated to future accounting periods	(1,644)	-
	<u>70,756</u>	<u>142,778</u>
Included in liabilities falling due within one year	(65,361)	(70,092)
	<u>5,395</u>	<u>72,686</u>
Total borrowings	<u>428,158</u>	<u>507,160</u>

Other loans are unsecured and interest is charged at 5.48%.



# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 January 2015	128,391
Current year movement	(4,997)
Adjustment in respect of prior year	(3,636)
	<hr/>
Balance at 31 December 2015	119,758
	<hr/>

Deferred taxation is provided as follows:

	2015 £	2014 £
Fixed asset timing differences	128,312	157,513
Short term timing differences	(8,554)	(10,935)
R&D credit	-	(18,187)
	<hr/>	<hr/>
Provision for deferred tax	119,758	128,391
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### 16. CALLED-UP SHARE CAPITAL AND RESERVES

	2015 £	2014 £
Allotted, called up and fully paid 384,750 ordinary shares of £1 each	384,750	384,750
	<hr/>	<hr/>

The company's other reserves are as follows:

The share premium account contains the premium arising on issue of equity shares, net of issue costs.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings.

The Capital contribution reserve contains capital contributions received.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

### 17. FINANCIAL COMMITMENTS

At 31 December 2015 the company was committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings			Other
	2015	2014	2015	2014
	£	£	£	£
<b>Operating leases which expire:</b>				
Within one year	181,000	129,217	53,142	45,504
Between one and five years	728,200	516,867	39,805	34,556
After five years	839,980	1,130,648	-	-
	<u>1,749,180</u>	<u>1,776,732</u>	<u>92,947</u>	<u>80,060</u>
			<b>2015</b>	<b>2014</b>
			£	£
Capital commitments as follows:				
Contracted for but not provided for			-	53,367

### 18. DIRECTORS REMUNERATION

	2015	2014
	£	£
Aggregate remuneration for qualifying services	55,437	161,120
Aggregate company pension contributions to defined contribution schemes	<u>2,687</u>	<u>430,714</u>
	<u>58,124</u>	<u>591,834</u>
Remuneration of highest paid director		<b>2014</b>
		£
Remuneration for qualifying services		92,630
Company pension contributions to defined contribution schemes		<u>103,151</u>

## MUNSTER SIMMS ENGINEERING LTD

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

#### 19. EMPLOYEES

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

	2015 Number	2014 Number
Production	111	112
Selling and Distribution	25	18
Administration	40	38
	<u>176</u>	<u>168</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	3,888,717	4,164,813
Social security costs	326,836	349,921
Other pension costs	201,511	646,084
	<u>4,417,064</u>	<u>5,160,818</u>

#### 20. CONTROL

The immediate parent company of Munster Simms Engineering Limited is PSW (NI) Limited, a company incorporated in Northern Ireland.

The ultimate parent undertaking and controlling party is Brunswick Corporation, a company incorporated in the United States of America. Brunswick Corporation is the largest and smallest group into which the results of the company are consolidated. Copies of its financial statements are available from its registered office, 1 N. Field Court, Lake Forest, Illinois.

#### 21. RELATED PARTY TRANSACTIONS

In accordance with FRS 102 Section 33.1A, the company is exempt from the requirement to disclose related party transactions with other wholly owned companies of the group.

On 16 June 2014 a property held by the company was disposed of on an arm's length basis for £495,000 (amount equal to its net book value) to Old Belfast Road Limited a company controlled by W B Hanson and R S McFarland, who were directors during that year.

#### 22. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. The transition to FRS 102 has resulted in no measurement or recognition adjustments. A Statement of Comprehensive Income and a Statement of Changes in Equity has been presented for the first time.

# MUNSTER SIMMS ENGINEERING LTD

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

### 23. DISCONTINUED OPERATIONS

During the preceding year the company made the decision to dispose of its distribution and manufacturing operations in the USA, these activities have been classified as discontinued operations per Section 5 of FRS 102. The below table presents the additional disclosures required for continued and discontinued operations.

	2015	2015	2014	2014
	£	£	£	£
<b>Turnover</b>				
Continuing activities	16,500,712		14,296,833	
Discontinued activities	-		2,511,384	
	<hr/>		<hr/>	
Total turnover		16,500,712		16,808,217
<b>Cost of sales</b>				
Continuing activities	(10,520,063)		(9,112,696)	
Discontinued activities	-		(1,481,164)	
	<hr/>		<hr/>	
Total cost of sales		(10,520,063)		(10,593,860)
<b>Gross profit</b>				
Continuing activities	5,980,649		5,184,137	
Discontinued activities	-		1,030,220	
	<hr/>		<hr/>	
Total gross profit		5,980,649		6,214,357
<b>Distribution costs</b>				
Continuing activities	(276,325)		(256,624)	
Discontinued activities	-		(8,604)	
	<hr/>		<hr/>	
		(276,325)		(265,228)
<b>Administration Expenses</b>				
Other continuing administrative expenses	(3,723,020)		(4,621,420)	
Other discontinued administrative expenses	-		(215,400)	
Exceptional administrative expenses from continuing activities	-		(2,071,760)	
	<hr/>		<hr/>	
Total administrative expenses		(3,723,020)		(6,908,580)
<b>Operating profit/(loss)</b>				
Continuing activities	1,981,304		(1,765,667)	
Discontinued activities	-		806,216	
	<hr/>		<hr/>	
Total operating profit/(loss)		1,981,304		(959,451)
		<hr/>		<hr/>