

Company Registration No. 04390226 (England and Wales)

MARINE SPECIALISED TECHNOLOGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016



MARINE SPECIALISED TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors	B W P Kerfoot P T L Hilbert P A Hine
Secretary	Newfield Trust Services Limited
Company number	04390226
Registered office	Unit 2 Atlantic Way Dempster Buildings Brunswick Business Park Liverpool L3 4BE
Auditor	BWMacfarlane Castle Chambers 43 Castle Street Liverpool L2 9SH
Bankers	NatWest 10th Floor The Plaza 100 Old Hall Street Liverpool L3 9QJ

MARINE SPECIALISED TECHNOLOGY LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 6
Group profit and loss account	7
Group balance sheet	8
Company balance sheet	9
Group statement of changes in equity	10
Company statement of changes in equity	11
Group statement of cash flows	12
Notes to the financial statements	13 - 36

MARINE SPECIALISED TECHNOLOGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present the strategic report for the year ended 30 September 2016.

Fair review of the business

The year saw both turnover and profits maintained at the previous year's levels as the Group consolidated on existing contracts and concentrated on major tenders for future years. The Group's order book remains very strong and orders on hand as at the date of this report were in excess of £25m.

The Group returned an operating profit of £1,495,109 on turnover of £13,514,625 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. The strong cash generation achieved during the year allowed the company to repay borrowings and redeem all of its remaining preference share capital.

Principal risks and uncertainties facing the company

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. The group aims to build upon its continuing relationships with customers and, in particular, develop its through-life maintenance work for the installed fleet of boats around the world.

A significant proportion of the group's activities relate to export markets. The significant drop in the value of Sterling towards the end of the financial year should have an impact on the competitiveness of the group in selling in overseas markets and help support on margins. 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 company's strategy are subject to a number of risks including price risk, exchange rate risk, credit risk and liquidity risk. The use of financial derivatives is governed by the group's policies, approved by the board of directors, which provide written principles on the use of such instruments to manage currency exchange and interest rate risks. The group does not use derivative financial instruments for speculative purposes.

Price risk

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

Exchange rate risk

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

Credit risk

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

Liquidity risk

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

MARINE SPECIALISED TECHNOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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 £244,351 (2015 - £104,943) which has enabled the business to develop innovative products that continue to provide a competitive advantage within the industry.

Key Performance Indicators ("KPI's")

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

KPI's monitored on a daily basis are:-

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

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

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

On behalf of the board



B W P Kerfoot

Director

27/04/17

MARINE SPECIALISED TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present their annual report and financial statements for the year ended 30 September 2016.

Principal activities

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

Directors

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

B W P Kerfoot
P T L Hilbert
P A Hine

Results and dividends

The results for the year are set out on page 7.

The group profit for the year, excluding the minority interest share, amounted to £1,171,964 (2015 - £789,660). In accordance with the Articles of Association, dividends amounting to £15,609 (2015 - £30,985) were declared on the two classes of Preference shares in issue during the year. The "A" and "B" Preference shares were redeemed on 24 March 2016 and 8 September 2016 respectively. The directors do not recommend a payment of a dividend on the ordinary shares of the company.

Employee policy

The Directors involve and inform the Group's employees as much as possible within regulatory constraints. The Directors communicate through regular meetings to promote awareness of current progress and developments within the Group.

The Group gives full and fair consideration to employment applications from disabled persons. Where an employee becomes disabled, arrangements would be made, wherever practical, to continue employment by identifying an available job suited to the person's capabilities and providing any necessary training.

Auditor

The auditors, BWMacfarlane, 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 and group 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 and group is aware of that information.

On behalf of the board



B W P Kerfoot

Director

27/04/17

MARINE SPECIALISED TECHNOLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

MARINE SPECIALISED TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARINE SPECIALISED TECHNOLOGY LIMITED

We have audited the financial statements of Marine Specialised Technology Limited for the year ended 30 September 2016 set out on pages 7 to 36. 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 set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 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, 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.

MARINE SPECIALISED TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MARINE SPECIALISED TECHNOLOGY LIMITED

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.



Lesley Malkin BA FCA (Senior Statutory Auditor)
for and on behalf of BWMacfarlane

28/4/17
.....

Chartered Accountants
Statutory Auditor

Castle Chambers
43 Castle Street
Liverpool
Merseyside
United Kingdom
L2 9SH

MARINE SPECIALISED TECHNOLOGY LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	13,514,625	13,538,799
Cost of sales		(8,764,313)	(9,251,914)
Gross profit		<u>4,750,312</u>	<u>4,286,885</u>
Administrative expenses		(3,264,175)	(2,968,833)
Other operating income		8,972	4,498
Operating profit	4	<u>1,495,109</u>	<u>1,322,550</u>
Interest payable and similar charges	8	(21,391)	(52,397)
Profit before taxation		<u>1,473,718</u>	<u>1,270,153</u>
Taxation	9	(87,586)	(259,138)
Profit for the financial year		<u><u>1,386,132</u></u>	<u><u>1,011,015</u></u>
Profit for the financial year is attributable to:			
- Owners of the parent company		1,171,964	789,660
- Non-controlling interests		214,168	221,355
		<u><u>1,386,132</u></u>	<u><u>1,011,015</u></u>

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

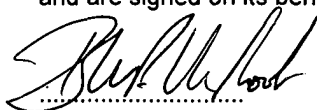
MARINE SPECIALISED TECHNOLOGY LIMITED

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Goodwill	11		291,500		349,800
Other intangible assets	11		4,583		7,083
			<u>296,083</u>		<u>356,883</u>
Total intangible assets			296,083		356,883
Tangible assets	12		1,320,590		1,118,369
			<u>1,616,673</u>		<u>1,475,252</u>
Current assets					
Stocks	16	1,371,718		1,652,483	
Debtors	17	1,904,711		2,847,908	
Cash at bank and in hand		939,862		466,321	
		<u>4,216,291</u>		<u>4,966,712</u>	
Creditors: amounts falling due within one year	18	(1,851,519)		(3,448,084)	
		<u>2,364,772</u>		<u>1,518,628</u>	
Net current assets			2,364,772		1,518,628
Total assets less current liabilities			3,981,445		2,993,880
Creditors: amounts falling due after more than one year	19		(297,301)		(227,889)
Provisions for liabilities	23		(304,878)		(343,358)
			<u>3,379,266</u>		<u>2,422,633</u>
Net assets			3,379,266		2,422,633
Capital and reserves					
Called up share capital	26		1,650		351,400
Capital redemption reserve	27		449,750		100,000
Profit and loss reserves	27		2,330,323		1,523,718
			<u>2,781,723</u>		<u>1,975,118</u>
Equity attributable to owners of the parent company			2,781,723		1,975,118
Non-controlling interests			597,543		447,515
			<u>3,379,266</u>		<u>2,422,633</u>

The financial statements were approved by the board of directors and authorised for issue on 27/04/17 and are signed on its behalf by:



B W P Kerfoot

Director

Company Registration No. 04390226

MARINE SPECIALISED TECHNOLOGY LIMITED

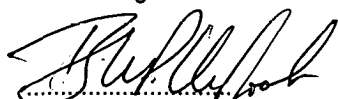
COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	12		209,526		287,406
Investments	13		50,300		50,300
			<u>259,826</u>		<u>337,706</u>
Current assets					
Stocks	16	292,319		732,960	
Debtors	17	1,421,846		2,289,008	
Cash at bank and in hand		301,335		1,123	
		<u>2,015,500</u>		<u>3,023,091</u>	
Creditors: amounts falling due within one year	18	(941,053)		(1,705,684)	
Net current assets			<u>1,074,447</u>		<u>1,317,407</u>
Total assets less current liabilities			1,334,273		1,655,113
Creditors: amounts falling due after more than one year	19		(1,995)		(13,963)
Provisions for liabilities	23		(193,217)		(281,697)
Net assets			<u>1,139,061</u>		<u>1,359,453</u>
Capital and reserves					
Called up share capital	26		1,650		351,400
Capital redemption reserve	27		449,750		100,000
Profit and loss reserves	27		687,661		908,053
Total equity			<u>1,139,061</u>		<u>1,359,453</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 £144,967 (2015 - £799,747 profit).

The financial statements were approved by the board of directors and authorised for issue on 29/04/17 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 2016

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total controlling interest £	Non- controlling interest £	Total £
Balance at 1 October 2014	31	451,400	-	865,043	1,316,443	280,300	1,596,743
Year ended 30 September 2015:							
Profit and total comprehensive income for the year		-	-	789,660	789,660	221,355	1,011,015
Dividends	10	-	-	(30,985)	(30,985)	(54,140)	(85,125)
Redemption of shares	27	(100,000)	100,000	(100,000)	(100,000)	-	(100,000)
Balance at 30 September 2015		351,400	100,000	1,523,718	1,975,118	447,515	2,422,633
Year ended 30 September 2016:							
Profit and total comprehensive income for the year		-	-	1,171,964	1,171,964	214,168	1,386,132
Dividends	10	-	-	(15,609)	(15,609)	(64,140)	(79,749)
Redemption of shares	27	(349,750)	349,750	(349,750)	(349,750)	-	(349,750)
Balance at 30 September 2016		1,650	449,750	2,330,323	2,781,723	597,543	3,379,266

MARINE SPECIALISED TECHNOLOGY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 October 2014		451,400	-	239,290	690,690
Year ended 30 September 2015:					
Profit and total comprehensive income for the year		-	-	799,747	799,747
Dividends	10	-	-	(30,985)	(30,985)
Redemption of shares	27	(100,000)	100,000	(100,000)	(100,000)
Balance at 30 September 2015		351,400	100,000	908,053	1,359,453
Year ended 30 September 2016:					
Profit and total comprehensive income for the year		-	-	144,967	144,967
Dividends	10	-	-	(15,609)	(15,609)
Redemption of shares	27	(349,750)	349,750	(349,750)	(349,750)
Balance at 30 September 2016		1,650	449,750	687,661	1,139,061

MARINE SPECIALISED TECHNOLOGY LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	30	2,326,883		854,667	
Interest paid		(21,391)		(52,349)	
Income taxes paid		(112,384)		(83,856)	
Net cash inflow from operating activities		2,193,108		718,462	
Investing activities					
Purchase of tangible fixed assets		(416,777)		(367,037)	
Proceeds on disposal of tangible fixed assets		2,800		787	
Net cash used in investing activities		(413,977)		(366,250)	
Financing activities					
New hire purchase loans		-		35,780	
Repayment of shareholders' loans		-		(143,754)	
Repayment of bank loans		(390,480)		(204,973)	
Payment of finance leases obligations		(12,329)		(14,181)	
Dividends paid		(79,749)		(116,110)	
Redemption of preference shares		(349,750)		(100,000)	
Bank loans advanced		500,000		-	
Net cash used in financing activities		(332,308)		(543,238)	
Net increase/(decrease) in cash and cash equivalents		1,446,823		(191,026)	
Cash and cash equivalents at beginning of year		(506,919)		(315,893)	
Cash and cash equivalents at end of year		939,904		(506,919)	
Relating to:					
Cash at bank and in hand		939,904		466,321	
Bank overdrafts included in creditors payable within one year		-		(973,240)	

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

Company information

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

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

1.1 Accounting convention

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

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

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

These group and company financial statements for the year ended 30 September 2016 are the first financial statements of Marine Specialised Technology Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 October 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 31.

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

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

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

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.

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 2016.

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

1.3 Going concern

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

1.4 Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

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 if the fair value can be measured reliably.

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

Know how	10 years
----------	----------

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

1.8 Tangible fixed assets

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

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

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

Under FRS 102 section 35.10 (C) transitional provisions, the directors have elected to use the fair value of certain freehold properties as 'deemed cost'. The building will be subject to annual depreciation and no further revaluation will be necessary.

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.

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

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.

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 and cash equivalents

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

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.

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.14 Equity instruments

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

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

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 18 to 36 months from completion of the work. Provisions are provided at rates of between 1% to 2.5% of relevant turnover.

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 assets 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.

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.

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

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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

1.22 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the group blended rate applicable to such transactions in accordance with the forward currency contracts in place at the year end.

1.23 Group relief

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

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Useful economic lives of tangible assets

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

Impairment of debtors

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

Warranty provisions

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

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover		
Boats	5,216,742	4,235,749
In Service support	7,271,730	8,841,306
Inflatables	1,026,153	461,744
	<u>13,514,625</u>	<u>13,538,799</u>

Other significant revenue

Grants received	<u>1,271</u>	<u>-</u>
-----------------	--------------	----------

Turnover analysed by geographical market

	2016 £	2015 £
UK	10,832,233	7,103,835
Europe	2,218,994	5,950,750
Rest of world	463,398	484,214
	<u>13,514,625</u>	<u>13,538,799</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(58,148)	(33,794)
Research and development costs	244,351	104,943
Government grants	(1,271)	-
Depreciation of owned tangible fixed assets	199,873	154,070
Depreciation of tangible fixed assets held under finance leases	12,649	12,271
(Profit)/loss on disposal of tangible fixed assets	(769)	2,812
Amortisation of intangible assets	60,800	60,800
Cost of stocks recognised as an expense	5,138,257	5,670,950
Operating lease charges	<u>234,092</u>	<u>236,009</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

5 Auditor's remuneration

	2016	2015
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5,100	7,985
Audit of the company's subsidiaries	11,200	10,100
	<u>16,300</u>	<u>18,085</u>
For other services		
All other non-audit services	<u>9,970</u>	<u>10,035</u>

6 Employees

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

	Group		Company	
	2016	2015	2016	2015
	Number	Number	Number	Number
Production	72	74	10	26
Design/Engineering	10	9	10	9
Project Management	1	2	1	2
Administration	43	37	22	24
Directors	4	4	3	3
	<u>130</u>	<u>126</u>	<u>46</u>	<u>64</u>

Their aggregate remuneration comprised:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Wages and salaries	3,615,158	3,212,724	2,339,896	2,185,918
Social security costs	328,649	282,485	238,556	198,480
Pension costs	27,405	22,815	20,079	16,733
	<u>3,971,212</u>	<u>3,518,024</u>	<u>2,598,531</u>	<u>2,401,131</u>

7 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	<u>170,000</u>	<u>104,000</u>

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

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 Interest payable and similar charges

	2016	2015
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	19,237	35,965
Interest on finance leases and hire purchase contracts	1,464	2,125
Other interest on financial liabilities	690	140
	<u>21,391</u>	<u>38,230</u>
Other finance costs:		
Other interest	-	14,167
	<u>21,391</u>	<u>52,397</u>

9 Taxation

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the current period	81,264	102,715
Foreign current tax on profits for the current period	6,322	12,530
Adjustments in foreign tax in respect of prior periods	-	(15,512)
	<u>87,586</u>	<u>99,733</u>
Deferred tax		
Origination and reversal of timing differences	-	159,405
	<u>87,586</u>	<u>259,138</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

9 Taxation

(Continued)

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

	2016 £	2015 £
Profit before taxation	1,473,718	1,270,153
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	294,744	254,031
Tax effect of expenses that are not deductible in determining taxable profit	1,526	1,035
Tax effect of income not taxable in determining taxable profit	638	-
Gains not taxable	(154)	-
Tax effect of utilisation of tax losses not previously recognised	(181,613)	(108,596)
Unutilised tax losses carried forward	8,237	30,233
Double tax relief	-	(9,194)
Permanent capital allowances in excess of depreciation	(23,588)	(84,973)
Depreciation on assets not qualifying for tax allowances	41,853	33,102
Amortisation on assets not qualifying for tax allowances	18,719	5,601
Adjustments in respect of financial assets	-	445
Research and development tax credit	(63,531)	(26,982)
Tax at marginal rate	-	(1,238)
Foreign exchange differences	-	(456)
Other - MST Fleet NL	(9,245)	-
Deferred tax movement	-	159,405
Transition adjustments	-	6,725
Tax expense for the year	87,586	259,138

10 Dividends

	2016 £	2015 £
Group		
Preference dividends paid	15,609	30,985
Dividends paid to minority interest	64,140	54,140
	79,749	85,125
Company		
Preference dividends paid	15,609	30,985
	15,609	30,985

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

11 Intangible fixed assets

Group	Goodwill £	Know how £	Total £
Cost			
At 1 October 2015 and 30 September 2016	527,740	25,000	552,740
Amortisation and impairment			
At 1 October 2015	177,940	17,917	195,857
Amortisation charged for the year	58,300	2,500	60,800
At 30 September 2016	236,240	20,417	256,657
Carrying amount			
At 30 September 2016	291,500	4,583	296,083
At 30 September 2015	349,800	7,083	356,883

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

12 Tangible fixed assets

Group	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 October 2015	485,937	920,995	457,182	64,667	66,031	1,994,812
Additions	340,307	42,295	22,790	11,385	-	416,777
Disposals	-	(3,900)	-	-	-	(3,900)
At 30 September 2016	826,244	959,390	479,972	76,052	66,031	2,407,689
Depreciation and impairment						
At 1 October 2015	9,719	512,480	310,326	13,914	30,007	876,446
Depreciation charged in the year	16,525	107,973	53,769	25,999	8,256	212,522
Eliminated in respect of disposals	-	(1,869)	-	-	-	(1,869)
At 30 September 2016	26,244	618,584	364,095	39,913	38,263	1,087,099
Carrying amount						
At 30 September 2016	800,000	340,806	115,877	36,139	27,768	1,320,590
At 30 September 2015	476,218	448,288	107,086	50,753	36,024	1,118,369

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Company	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 October 2015	581,789	307,405	49,954	939,148
Additions	1,005	12,075	-	13,080
At 30 September 2016	582,794	319,480	49,954	952,228
Depreciation and impairment				
At 1 October 2015	400,068	225,656	26,018	651,742
Depreciation charged in the year	50,655	34,962	5,343	90,960
At 30 September 2016	450,723	260,618	31,361	742,702
Carrying amount				
At 30 September 2016	132,071	58,862	18,593	209,526
At 30 September 2015	181,721	81,749	23,936	287,406

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

	Group 2016 £	2015 £	Company 2016 £	2015 £
Fixtures, fittings & equipment	15,922	28,571	15,922	28,571
Depreciation charge for the year in respect of leased assets	12,649	12,271	12,649	12,271

13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	50,300	50,300

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

13 Fixed asset investments (Continued)

Movements in fixed asset investments
Company

	Shares in group undertakings £
Cost or valuation	
At 1 October 2015 and 30 September 2016	50,300
Carrying amount	
At 30 September 2016	50,300
At 30 September 2015	50,300

14 Subsidiaries

Details of the company's subsidiaries at 30 September 2016 are as follows:

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

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

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

15 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,931,721	3,481,251	1,668,555	2,259,036
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	75,078	-	75,078	-
Measured at amortised cost	1,669,818	3,285,197	805,174	1,673,331

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

16 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	1,158,934	1,225,460	242,304	511,404
Work in progress	142,608	372,853	50,015	221,556
Finished goods and goods for resale	70,176	54,170	-	-
	<u>1,371,718</u>	<u>1,652,483</u>	<u>292,319</u>	<u>732,960</u>

17 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	1,665,502	2,601,640	184,170	1,154,040
Amounts due from subsidiary undertakings	-	-	1,102,476	1,002,777
Other debtors	30,274	56,407	30,274	50,796
Prepayments and accrued income	208,935	189,861	104,926	81,395
	<u>1,904,711</u>	<u>2,847,908</u>	<u>1,421,846</u>	<u>2,289,008</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	20	63,241	1,008,299	-	577,985
Obligations under finance leases	21	11,968	12,329	11,968	12,329
Trade creditors		755,478	1,391,153	173,820	548,439
Amounts due to group undertakings		-	-	322,248	165,981
Corporation tax payable		90,448	115,246	-	-
Other taxation and social security		313,476	275,530	62,796	46,316
Derivative financial instruments		75,078	-	75,078	-
Other creditors		99,629	50,497	-	-
Accruals and deferred income		442,201	595,030	295,143	354,634
		<u>1,851,519</u>	<u>3,448,084</u>	<u>941,053</u>	<u>1,705,684</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

19 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	20	295,306	213,926	-	-
Obligations under finance leases	21	1,995	13,963	1,995	13,963
		<u>297,301</u>	<u>227,889</u>	<u>1,995</u>	<u>13,963</u>

20 Loans and overdrafts

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	358,505	248,985	-	-
Bank overdrafts	42	973,240	-	577,985
	<u>358,547</u>	<u>1,222,225</u>	<u>-</u>	<u>577,985</u>
Payable within one year	63,241	1,008,299	-	577,985
Payable after one year	295,306	213,926	-	-
	<u>358,547</u>	<u>1,222,225</u>	<u>-</u>	<u>577,985</u>

The Specialised Inflatable Technology Limited bank loans of £358,505 (2015: £248,985) are secured by a debenture over the company and a legal charge over the property purchased by the loan provided and repayable within 5 years.

21 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Within one year	11,968	12,329	11,968	12,329
In two to five years	1,995	13,963	1,995	13,963
	<u>13,963</u>	<u>26,292</u>	<u>13,963</u>	<u>26,292</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

21 Finance lease obligations (Continued)

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 34 months. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

22 Hedging commitments

The group utilises hedging financial instruments to manage foreign exchange risk and has entered into forward contracts during the year with a commitment to sell predetermined amounts in Euros each month. At the balance sheet date the group has committed to selling a total of €3,250,000.

The fair value of these derivative contracts at the year end was £75,078.

23 Provisions for liabilities

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Warranty provision		225,967	264,447	175,967	264,447
Deferred tax liabilities	24	78,911	78,911	17,250	17,250
		<u>304,878</u>	<u>343,358</u>	<u>193,217</u>	<u>281,697</u>

Movements on provisions apart from deferred tax liabilities:

	Warranty provision £
Group	£
At 1 October 2015	264,447
Additional provisions in the year	78,868
Reversal of provision	(117,348)
At 30 September 2016	<u>225,967</u>
Company	£
At 1 October 2015	264,447
Additional provisions in the year	28,868
Reversal of provision	(117,348)
At 30 September 2016	<u>175,967</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

24 Deferred taxation

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

	Liabilities 2016 £	Liabilities 2015 £
Group		
Accelerated capital allowances	78,911	78,911
	<u>78,911</u>	<u>78,911</u>
	Liabilities 2016 £	Liabilities 2015 £
Company		
Accelerated capital allowances	17,250	17,250
	<u>17,250</u>	<u>17,250</u>

There were no deferred tax movements in the year.

Tax losses in MST Special Products Limited of £269,717 (2015 - £1,177,780) are available to carry forward against future profits of the same trade. No deferred tax asset has been provided on these losses on the basis that the timing of any recoverability is uncertain. The amount unprovided in MST Special Product Limited is £53,943 (2015 - £235,556).

25 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	27,405	22,815
	<u>27,405</u>	<u>22,815</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.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

26 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
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>
Preference share capital		
Issued and fully paid		
149,750 Preference class 'A' shares of £1 each	-	149,750
200,000 Preference class 'B' shares of £1 each	-	200,000
	<u>-</u>	<u>349,750</u>

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

During the year the company redeemed all of the preference class 'A' and class 'B' shares at par, in accordance with its articles.

27 Reserves

Own shares

On 24 March 2016 the company redeemed all of its class 'A' Preference shares at par, for £149,750. These preference shares had been treated as equity on the basis that they were redeemable at the company's option. As such, a transfer of £149,750 was made on redemption to a capital redemption reserve.

On 8 September 2016 the company redeemed all of its class 'B' Preference shares at par, for £200,000. These preference shares had been treated as equity on the basis that they were redeemable at the company's option. As such, a transfer of £200,000 was made on redemption to a capital redemption reserve.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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		Company	
	2016	2015	2016	2015
	£	£	£	£
Within one year	231,000	231,000	115,000	115,000
Between two and five years	567,667	798,667	306,667	421,667
	<u>798,667</u>	<u>1,029,667</u>	<u>421,667</u>	<u>536,667</u>

29 Related party transactions

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

Specialised Inflatable Technology Limited

The parent owns 50% of the share capital of Specialised Inflatable Technology Limited. During the year the group made purchases of £863,789 (2015 - £1,030,207) and sales of £955 (2015 - £12,422) with Specialised Inflatable Technology Limited. The group also received a management charge of £24,000 (2015 - £24,000) from Specialised Inflatable Technology Limited. At the year end the company was owed £27,021 from Marine Specialised Technology Limited (2015 - £153,923) and £70,476 from MST Fleet Services Limited (2015 - £477,341).

Dividends of £30,000 (2015 - £20,000) were paid to Marine Specialised Technology Limited by the company during the year.

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

30 Cash generated from group operations

	2016 £	2015 £
Profit for the year after tax	1,386,132	1,011,015
Adjustments for:		
Taxation charged	87,586	259,138
Finance costs	21,391	52,397
(Gain)/loss on disposal of tangible fixed assets	(769)	2,812
Amortisation and impairment of intangible assets	60,800	60,800
Depreciation and impairment of tangible fixed assets	212,522	166,341
(Decrease) in provisions	(38,480)	-
Movements in working capital:		
Decrease/(increase) in stocks	280,765	(530,423)
Decrease/(increase) in debtors	943,197	(1,418,368)
(Decrease)/increase in creditors	(626,261)	1,250,955
Cash generated from operations	2,326,883	854,667

31 Reconciliations on adoption of FRS 102

Reconciliation of equity - group

		1 October 2014 £	30 September 2015 £
Equity as reported under previous UK GAAP		1,547,297	2,406,813
Adjustments arising from transition to FRS 102:			
Deemed cost adjustment	1	49,446	48,614
Goodwill amortisation adjustment	2	-	(32,794)
Equity reported under FRS 102		<u>1,596,743</u>	<u>2,422,633</u>

Reconciliation of group profit for the financial period

		2015 £
Profit as reported under previous UK GAAP		1,044,641
Adjustments arising from transition to FRS 102:		
Deemed cost adjustment	1	(832)
Goodwill amortisation adjustment	2	(32,794)
Profit reported under FRS 102		<u>1,011,015</u>

MARINE SPECIALISED TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

31 Reconciliations on adoption of FRS 102

(Continued)

Notes to reconciliations on adoption of FRS 102 - group

Specialised Inflatable Technology Limited

1. Deemed cost of property and increased depreciation charge

The value of freehold property has been restated on transition by the company electing to use the deemed cost provision available under FRS 102. This has affected the associated depreciation charge in the results for the year ended 30 September 2015.

The effect on the profit and loss account for the year ended 30 September 2015 was an £832 increase in the depreciation charge.

MST Special Products Limited

2. Goodwill amortisation adjustment

The value of goodwill has been restated on transition by the company due to the changes under FRS 102 regarding amortisation. The company now amortises goodwill over 7 years in line with FRS 102 requirements which has increased the amortisation charge recognised in the profit and loss account in respect of the year ended 30 September 2015.

The effect on the profit and loss account for year ended 30 September 2015 was a £32,794 increase in the amortisation charge.