

Company Registration No: NI006278



MUNSTER SIMMS ENGINEERING LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31 December 2021

MUNSTER SIMMS ENGINEERING LIMITED

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MUNSTER SIMMS ENGINEERING LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

N Loube
J Foran
P E W Roberts

SECRETARY

J Foran

Sarcón Compliance Limited
Murray House
Murray Street
Belfast
BT1 6DN

AUDITOR

Deloitte (NI) Limited
Lincoln Building
27-45 Great Victoria Street
Belfast
BT2 7SL

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 LIMITED

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.

The Company's parent company is now Freedom Boat Club UK Limited following the strike off of PSW (NI) Limited in September 2021 which simplified the group structure.

The directors have completed a balanced and comprehensive analysis of the company's development and performance during the year and the position at the end of that year and are satisfied with the performance in the current year. The profit for the financial year was £5,922,462 (2020: £4,346,859) and is shown in the profit and loss account on page 11. Net Assets of £14,288,542 were recorded (2020: £11,866,080) as shown in the Balance Sheet on page 12.

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

Due to COVID 19 some health and safety measures remain in place to ensure the health, safety and wellbeing of staff and many staff continue to work from home with a hybrid policy in place. This continues to be assessed and some measures will be adjusted as we continue to review our working practices in line with policy.

The United Kingdom's exit from the European Union has impacted the movement of goods, people and other contractual arrangements causing delays, increased costs and administration. Longer term impact remains uncertain, pending conclusion and agreement of current negotiations between the UK and the EU, the company continues to monitor potential effects on the business in particular logistics, supply chain, tariffs, cost and further response plans. The company has trained staff, onboarded additional staff and continued to be in contact with Invest NI, HMRC, TRS.

The general level of activity had increased due to unprecedented increase in global demand and investment in new product development. Most recently the company has been impacted by the further supply chain disruption and cost rises due to economic price inflation and fx impact driven by the conflict in Ukraine. This continues to be managed closely.

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.

MUNSTER SIMMS ENGINEERING LIMITED

STRATEGIC REPORT (Continued)

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. This is referenced in the directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks faced by the company relate to foreign exchange, any further potential impact from Brexit, in relation to Covid-19 and Russia-Ukraine conflict (see above).

The company considers impact on the environment and the likely consequences of any business decisions in the long-term. Such considerations drive new product development. The company is ISO certified, seeks to remove waste and improve efficiency throughout the organisation. Activities including but limited to risk assessment, recycling, returnable reusable packaging, and energy saving initiatives are in place.

APPROVAL

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



P E W Roberts
Director
26 May 2022

MUNSTER SIMMS ENGINEERING LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The profit for the financial year was £5,922,462 (2020: £4,346,859) and is shown in the profit and loss account on page 11. An interim dividend of £3,500,000 was paid in the year (2020: £5,250,000). No final dividend has been declared (2020 final - £nil).

DIRECTORS

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

N Loube
J Foran
P E W Roberts

DIRECTORS INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 accounting policies note in the financial statements.

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 accounting policies note in the financial statements.

EVENTS AFTER BALANCE SHEET DATE

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements other than the ongoing effects of the outbreak of the Covid-19 pandemic and also the impact of the Russia Ukraine conflict in 2022. The company continues to experience supply chain disruption and price increases driven by inflation. The general level of activity had increased due to unprecedented increase in global demand and investment in new product development. Most recently the company has been impacted by the further supply chain disruption and cost rises due to economic price inflation and FX impact driven by the conflict in Ukraine. This continues to be a global risk for individuals and businesses, and it is not clear how long the global economic impact will last or how much more extensive it will become.

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.

MUNSTER SIMMS ENGINEERING LIMITED

DIRECTORS' REPORT

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 uses natural hedging, offsetting foreign suppliers and customers to minimize this 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 debt and intercompany treasury arrangements.

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
26 May 2022

MUNSTER SIMMS ENGINEERING LIMITED

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.

MUNSTER SIMMS ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNSTER SIMMS ENGINEERING LIMITED

Opinion

In our opinion the financial statements of Munster Simms Engineering Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

MUNSTER SIMMS ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNSTER SIMMS ENGINEERING LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the entity's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We include an explanation in our report of the extent to which the audit was capable of detecting irregularities, including fraud.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

MUNSTER SIMMS ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNSTER SIMMS ENGINEERING LIMITED (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, FRS 102 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Health & Safety Laws, Employment Law, Industry Standards, Data Protection Act 2018 and Bribery Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Revenue recognition

- We assessed the design and implementation of key controls over the cut-off of revenue at year end; and
- We selected and performed substantive test of details on a sample of such revenue posted within the final monthly reporting period, and the first monthly reporting period post-year end, and compared these to relevant documentation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

MUNSTER SIMMS ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNSTER SIMMS ENGINEERING LIMITED (CONTINUED)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

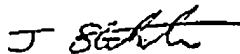
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jason Starbuck FCA (Senior statutory auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom
26 May 2022

MUNSTER SIMMS ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|------------------------------------------------------|------|--------------|--------------|
| TURNOVER | 3 | 30,431,046 | 22,665,815 |
| Cost of sales | | (18,740,581) | (14,190,061) |
| Gross profit | | 11,690,465 | 8,475,754 |
| Distribution costs | | (572,553) | (398,891) |
| Administrative expenses | | (3,835,006) | (3,345,429) |
| Other Operating Income | 4 | - | 466,891 |
| OPERATING PROFIT | | 7,282,906 | 5,198,325 |
| Finance income (net) | 5 | 71,126 | 52,690 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 7,354,032 | 5,251,015 |
| Tax on profit on ordinary activities | 7 | (1,431,570) | (904,156) |
| PROFIT FOR THE FINANCIAL YEAR | | 5,922,462 | 4,346,859 |

No separate statement of total comprehensive income has been presented as the company has no recognised income other than the result for each year as shown above.

All results arose from the continuing operations of the company.

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

MUNSTER SIMMS ENGINEERING LIMITED

BALANCE SHEET
At 31 December 2021

| | Note | 2021 £ | 2020 £ |
|-----------------------------------------------------------------|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | - | - |
| Tangible assets | 10 | 2,085,181 | 2,052,923 |
| | | <u>2,085,181</u> | <u>2,052,923</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 4,731,935 | 3,360,894 |
| Debtors | 12 | 7,127,645 | 3,943,472 |
| Cash at bank and in hand | | 5,280,445 | 6,644,715 |
| | | <u>17,140,025</u> | <u>13,949,081</u> |
| CREDITORS – amounts falling due within one year | 13 | <u>(4,182,047)</u> | <u>(3,478,962)</u> |
| NET CURRENT ASSETS | | <u>12,957,978</u> | <u>10,470,119</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 15,043,159 | 12,523,042 |
| CREDITORS – amounts falling due after more than one year | | | |
| PROVISIONS FOR LIABILITIES | 14 | (754,617) | (656,962) |
| | | <u>14,288,542</u> | <u>11,866,080</u> |
| NET ASSETS | | <u>14,288,542</u> | <u>11,866,080</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 384,750 | 384,750 |
| Share premium account | | 254,395 | 254,395 |
| Capital contribution reserve | | 666,309 | 666,309 |
| Profit and loss account | | 12,983,088 | 10,560,626 |
| | | <u>14,288,542</u> | <u>11,866,080</u> |
| SHAREHOLDERS' FUNDS | | <u>14,288,542</u> | <u>11,866,080</u> |

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

These financial statements of Munster Simms Engineering Limited (registered number N1006278) were approved by the board of directors and authorised for issue on 26 May 2022. They were signed on its behalf by:



P E W Roberts
Director

MUNSTER SIMMS ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY

At 31 December 2021

| | Called-up share capital £ | Share premium account £ | Capital contribution reserve £ | Profit and loss account £ | Total £ |
|-----------------------------------------------------------------|------------------------------------|----------------------------------|-----------------------------------------|---------------------------------|-------------|
| At 31 December 2019 | 384,750 | 254,395 | 666,309 | 11,463,767 | 12,769,221 |
| Dividends paid (note 8) | - | - | - | (5,250,000) | (5,250,000) |
| Profit for the financial year and total comprehensive income | - | - | - | 4,346,859 | 4,346,859 |
| At 31 December 2020 | 384,750 | 254,395 | 666,309 | 10,560,626 | 11,866,080 |
| Dividends paid (note 8) | - | - | - | (3,500,000) | (3,500,000) |
| Profit for the financial year and total comprehensive income | - | - | - | 5,922,462 | 5,922,463 |
| At 31 December 2021 | 384,750 | 254,395 | 666,309 | 12,983,088 | 14,288,542 |

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

I. 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.

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. The company is consolidated in the financial statements of its ultimate parent, Brunswick Corporation (see note 19 for registered address where copies can be obtained). Exemptions have been taken in these separate financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

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 financial statements have been prepared using the going concern basis of accounting

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.

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 is 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.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

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 | 4-7% 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.

Leasing and hire purchase commitments

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.

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 balance sheet 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

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

I. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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) *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.

(iii) *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.

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.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

The company provides for its estimated liability on the warranties given on the sale of products based on experience of past claims.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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.

There were no critical judgements that the directors have made in the process of applying the company's accounting policies and no key sources of estimation uncertainty have identified that have a significant risk of causing a material misstatement to the carrying value of assets and liabilities within the next financial year.

3. TURNOVER

| | 2021 | 2020 |
|---------------|------------|------------|
| | £ | £ |
| Sale of goods | 30,431,046 | 22,665,815 |

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

4. OTHER OPERATING INCOME

| | 2021 | 2020 |
|----------------|------|---------|
| | £ | £ |
| Furlough Grant | - | 466,891 |

In 2020, government grants of £466,891 were received as part of a Government initiative to provide immediate financial support as a result of COVID 19, Q2 operations were limited to ensure the health, safety and wellbeing of staff as top priority and with the closure of operations for many of our customers and supply chain. This had a significant impact on sales and profit. In 2021 there was no such transaction.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

5. FINANCE INCOME (NET)

| | 2021 | 2020 |
|----------------------------------------------|---------------|---------------|
| | £ | £ |
| Investment and similar income | 75,825 | 52,690 |
| Less: Interest payable and similar expenses | (4,699) | - |
| | <u>71,126</u> | <u>52,690</u> |
| Investment and similar income | | |
| | 2021 | 2020 |
| | £ | £ |
| Investment and similar income | 327 | 1,308 |
| R&D expenditure credit | 75,498 | 51,382 |
| | <u>75,825</u> | <u>52,690</u> |
| Interest payable and similar expenses | | |
| | 2021 | 2020 |
| | £ | £ |
| Other finance costs | 4,699 | - |
| | <u>4,699</u> | <u>-</u> |

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2021 | 2020 |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of Tangible Assets Owned | 465,159 | 403,309 |
| Research and development | 1,186,968 | 672,874 |
| Government grants | (146,171) | (612,430) |
| Foreign exchange loss/(gain) | 258,646 | (11,061) |
| Operating lease rentals: | | |
| - Property | 181,000 | 181,000 |
| - Other | 62,685 | 67,372 |
| | <u> </u> | <u> </u> |

Fees payable to Deloitte (NI) Limited for the audit of the company's annual accounts were £24,000 (2020: £17,500).

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.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2021 | 2020 |
|--------------------------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Current tax on profit on ordinary activities | | |
| UK corporation tax for the year | 1,348,926 | 852,703 |
| Adjustments in respect of previous periods* | (26,304) | 4,416 |
| Total current tax | <u>1,322,622</u> | <u>857,119</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | 38,711 | 30,958 |
| Adjustments in respect of prior periods | - | - |
| Effect of changes in tax rates | 70,237 | 16,079 |
| Total deferred tax (see note 14) | <u>108,948</u> | <u>47,037</u> |
| Total tax on profit on ordinary activities before taxation | <u>1,431,570</u> | <u>904,156</u> |
| | | |
| | 2021 | 2020 |
| | £ | £ |
| Profit on ordinary activities | <u>7,354,032</u> | <u>5,251,015</u> |
| Profit on ordinary activities at standard rate of 19.00% (2020: 19.00%) | 1,397,266 | 997,693 |
| Factors affecting charge for the year: | | |
| Non-deductible expenses | 1,309 | 1,955 |
| Income not taxable | (10,938) | (33,141) |
| Adjustments to previous periods | (26,304) | 4,416 |
| Group relief not paid for | - | (82,846) |
| Tax rate changes | 70,237 | 16,079 |
| Total tax charge for the year | <u>1,431,570</u> | <u>904,156</u> |

* Transfer of group relief losses

The standard rate of tax applied to reported profit on ordinary activities is 19% (2020: 19%).

Furthermore, in the March 2021 Budget, it was announced that the main rate of UK corporation tax will increase to 25% from 1 April 2023. The proposal was substantively enacted on 24 May 2021 and the resulting change has been reflected in the deferred tax calculations for the year ended 31 December 2022 (see note 14).

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

| | | |
|--------------------------------------|-------------|-------------|
| 8. DIVIDENDS ON EQUITY SHARES | 2021 | 2020 |
| | £ | £ |

Amounts recognised as distributions to equity holders in the year:

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Interim dividend for the year ended 31 December 2021 £3,500,000, £9.10 per ordinary share (2020: £5,250,000, £13.65 per ordinary share). | <u>3,500,000</u> | <u>5,250,000</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|

9. INTANGIBLE FIXED ASSETS

| | Intellectual Property £ | Development Costs £ | Total £ |
|-------------------------------------------|----------------------------------------|------------------------------------|--------------------|
| Cost | | | |
| At 1 January 2021 and 31 December 2021 | <u>184,277</u> | <u>205,986</u> | <u>390,263</u> |
| Amortisation | | | |
| At 1 January 2021 and 31 December 2021 | <u>184,277</u> | <u>205,986</u> | <u>390,263</u> |
| Net book value | | | |
| At 1 January 2021 and 31 December 2021 | <u>-</u> | <u>-</u> | <u>-</u> |

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

10. TANGIBLE FIXED ASSETS

| | Land and Buildings Leasehold £ | Plant and Machinery £ | Fixtures, Fittings & Equipment £ | Motor Vehicles £ | Total £ |
|----------------------------|-----------------------------------------|-----------------------------|-------------------------------------------|------------------------|-------------------|
| Cost | | | | | |
| At 1 January 2021 | 2,307,217 | 8,810,707 | 1,278,664 | 67,822 | 12,464,410 |
| Additions during the year | - | 405,630 | 91,786 | - | 497,416 |
| Disposals for year | - | (11,453) | - | - | (11,453) |
| At 31 December 2021 | 2,307,217 | 9,204,884 | 1,370,450 | 67,822 | 12,950,373 |
| Depreciation | | | | | |
| At 1 January 2021 | 1,649,884 | 7,585,269 | 1,139,152 | 37,182 | 10,411,487 |
| Charge for year | 73,577 | 309,905 | 79,747 | 1,929 | 465,158 |
| Disposals for year | - | (11,453) | - | - | (11,453) |
| At 31 December 2021 | 1,723,461 | 7,883,721 | 1,218,899 | 39,111 | 10,865,192 |
| Net book value | | | | | |
| At 31 December 2021 | 583,756 | 1,321,163 | 151,551 | 28,711 | 2,085,181 |
| Net book value | | | | | |
| At 31 December 2020 | 657,333 | 1,225,438 | 139,512 | 30,640 | 2,052,923 |

11. STOCKS

| | 2021 £ | 2020 £ |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 4,202,399 | 2,921,832 |
| Finished goods | 529,536 | 439,062 |
| | 4,731,935 | 3,360,894 |

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

12. DEBTORS

| | 2021 | 2020 |
|-----------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 3,355,510 | 1,961,498 |
| Amounts owed by parent and fellow subsidiary undertakings | 3,127,677 | 1,250,448 |
| Corporation Tax | 57,213 | 113,906 |
| Other debtors | 411,073 | 376,671 |
| Prepayments and accrued income | 176,172 | 240,949 |
| | <u>7,127,645</u> | <u>3,943,472</u> |

Amounts owed by parent and fellow subsidiary undertakings are unsecured and no interest was charged on this amount in the current year (2020: £nil).

13. CREDITORS: amounts falling due within one year

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Borrowings | 264,546 | 259,957 |
| Trade creditors | 1,511,084 | 1,389,636 |
| Amounts owed to group undertakings | 466,586 | 465,914 |
| Other taxes and social security costs | 318,328 | 454,787 |
| Other creditors | 248,303 | 51,304 |
| Accruals and deferred income | 1,373,200 | 857,364 |
| | <u>4,182,047</u> | <u>3,478,962</u> |

Amounts owed to parent and fellow subsidiary undertakings are unsecured and no interest was charged on this amount in the current year (2020: £nil).

Borrowings are repayable as follows:

| | 2021 | 2020 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| Other loans: | | |
| Included in current liabilities | <u>264,546</u> | <u>259,957</u> |
| Total borrowings | <u>264,546</u> | <u>259,957</u> |

Other loans are unsecured, and interest is charged at 1.78% (2020: 1.78%). Loan was fully repaid to INI in March 2022.

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

14. PROVISIONS FOR LIABILITIES

| | Warranty Provision £ | Deferred Taxation £ | Total Provisions £ |
|-----------------------------|----------------------------|---------------------------|--------------------------|
| Balance at 1 January 2021 | 473,259 | 183,703 | 656,962 |
| Current year movement | (11,293) | 108,948 | 97,655 |
| Balance at 31 December 2021 | <u>461,966</u> | <u>292,651</u> | <u>754,617</u> |

Deferred taxation is provided as follows:

| | 2021 £ | 2020 £ |
|--------------------------------|----------------|----------------|
| Fixed asset timing differences | 298,523 | 189,466 |
| Short term timing differences | (5,872) | (5,763) |
| Provision for deferred tax | <u>292,651</u> | <u>183,703</u> |

Warranty Provision

The provision for warranties relates to expected warranty claims on products sold within the last 5 years. It is expected that the majority of this expenditure will be incurred in the next 3 years and that all will be incurred within 10 years of the balance sheet date

15. CALLED-UP SHARE CAPITAL AND RESERVES

| | 2021 £ | 2020 £ |
|--------------------------------------------------------------------------|----------------|----------------|
| Allotted, called up and fully paid 384,750 ordinary shares of £1 each | <u>384,750</u> | <u>384,750</u> |

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 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

16. FINANCIAL COMMITMENTS

At 31 December 2021 the company was committed to the following future minimum lease payments under non-cancellable operating leases:

| | Land and buildings | | Other | |
|-----------------------------------------|--------------------|----------------|---------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Operating leases which fall due: | | | | |
| Within one year | 181,000 | 181,000 | 53,642 | 54,252 |
| Between one and five years | 724,000 | 725,155 | 44,055 | 83,517 |
| After five years | 363,155 | - | - | - |
| | <u>1,268,155</u> | <u>906,155</u> | <u>97,697</u> | <u>137,769</u> |

At 31 December 2021 the company had capital commitments that were contracted but not provided for totalling £452,007 (2020: £165,237).

17. DIRECTORS REMUNERATION

| | 2021 | 2020 |
|-------------------------------------------------------------------------|----------------|----------------|
| | £ | £ |
| Aggregate remuneration for qualifying services | 195,016 | 147,947 |
| Aggregate company pension contributions to defined contribution schemes | 5,823 | 5,864 |
| | <u>200,839</u> | <u>153,811</u> |

18. EMPLOYEES

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

| | 2021 | 2020 |
|--------------------------|------------|------------|
| | Number | Number |
| Production | 156 | 133 |
| Selling and distribution | 18 | 19 |
| Administration | 34 | 36 |
| | <u>208</u> | <u>188</u> |

Their aggregate remuneration comprised:

| | 2021 | 2020 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 5,772,209 | 4,790,244 |
| Social security costs | 476,881 | 422,457 |
| Other pension costs | 266,947 | 239,291 |
| | <u>6,615,037</u> | <u>5,451,992</u> |

MUNSTER SIMMS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19. CONTROL

The immediate parent company of Munster Simms Engineering Limited is Freedom Boat Club UK Limited, a company incorporated in England.

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, 26125 N. Riverwoods Blvd, Suite 500, Mettawa, Illinois.

20. RELATED PARTY TRANSACTIONS

In accordance with FRS 102 Section 33, the company is exempt from the requirement to disclose related party transactions with other wholly owned companies of the group.

21. SUBSEQUENT EVENTS

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements other than the ongoing effects of the outbreak of the Covid-19 pandemic and also the impact of the Russia Ukraine conflict in 2022. The company has not experienced any significant impact post year end. The company continues to experience supply chain disruption and price increases driven by inflation. The general level of activity had increased due to unprecedented increase in global demand and investment in new product development. Most recently the company has been impacted by the further supply chain disruption and cost rises due to economic price inflation and FX impact driven by the conflict in Ukraine. This however continues to be a global risk for individuals and businesses, and it is not clear how long the global economic impact will last or how much more extensive it will become.