

Registrar Copy

Company registration number: 5874602

**M Subs Ltd**

**Financial statements**

**31 December 2020**



## **M Subs Ltd**

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**M Subs Ltd**

**Directors and other information**

<b>Directors</b>	Mr B Phaneuf Mr R J Shaw Mr P D Barretto Miss L S Hudson Mr P G Dowsett	(Appointed 1 January 2020) (Appointed 24 January 2020)
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<b>Company number</b>	5874602
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<b>Registered office</b>	42 Sisna Park Road Plymouth Devon PL6 7FH
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<b>Business address</b>	42 Sisna Park Road Plymouth Devon PL6 7FH
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<b>Auditor</b>	Franklins Accountants Ltd Astor House 2 Alexandra Road Mutley Plain Plymouth PL4 7JR
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## M Subs Ltd

### Strategic report Year ended 31 December 2020

#### Business review

The company's main activity is the design, manufacture and operation of manned and unmanned marine vehicles for military and commercial markets. The focus has traditionally been in the submersible sector however there are now opportunities within the surface vehicle sector.

During the year ended 31st December 2020 the company has continued to perform steadily. The company continues to work on the current long-term contracts for the Dry Combat Submersibles. The progress on the contracts has been steady but there are some delays.

Alongside these long-term construction contract that company undertakes other project work with a number of organisations. These relationships and partnerships are being developed to ensure the long-term success of the company.

During 2020 M Subs has nearly completed the design and build of the Mayflower Autonomous Ship. A fully autonomous, AI powered marine vessel. M Subs has been the lead on this ambitious project which was planned to tie in with the Mayflower 400 celebrations. The project has helped the company expand its expertise in the field of navigational AI within the surface vehicle sector. The project has been developed in partnership with IBM.

The continued COVID 19 pandemic has caused some operational inconvenience curtailing significant amounts of necessary travel however the business has managed to perform well during the pandemic. The continued issues relating to business operations during the pandemic has been managed by management.

The company continues to work with numerous partners to develop new projects and systems enhancing the companies' future abilities.

The success and profitability of the long term contracts is still uncertain. These contracts are projected to over run and this may impact the final profitability. The company however has positive cashflow from these contracts and significant cash reserves at the year end.

#### Business KPIs

Gross turnover fell to £7.31m(20) from £8.52m(19) a 15% reduction  
Gross profit increased to £2.042m(20) from £1.620(19) a 22% increase  
Gross Profit percentage has increased from 19.0%(19) to 27.9%(20)  
Pre tax net profit has increased to £726k(20) from £193k(19)  
Retained profit increased from £3.869m(19) to £4.957m(20)

## M Subs Ltd

### Strategic report (continued) Year ended 31 December 2020

#### Principal risks and uncertainties

The company faces some normal business risks currently these include

##### COVID 19

The company has not been significantly adversely affected by the pandemic. However, the general risks associated with supply chain disruption and staff absences increases the risk regarding completion of certain contract within the budgeted time frames.

The risks relating to COVID have been mitigated with significant forward planning, working closely with the established suppliers to make sure that disruptions are kept to a minimum.

Comprehensive staff policies around COVID have been in place to minimise the risk to staff and the risk that an isolated case would cause a company wide issue.

##### Exposure to foreign economies

The company's main customer is based in the United States. This causes a significant foreign exchange risk. These risks are compounded as some of the key suppliers are based in the Euro Zone. The operation in different jurisdictions and contracts in multiple currency's has the potential to add significant risk.

Foreign currency risks are managed by using GB Pound Sterling as the functional currency for the majority of the contracts. Certain Euro elements are managed with careful use of a Euro current account allowing some cash to be kept in that currency to avoid variance from short term exchange rate fluctuations.

##### Long term contracts

The long term fixed price incentive contracts have the potential to be unprofitable or onerous. If costs within the company increase significantly then there is the potential that the profit budgeted at inception will not be realised. This would obviously harm the financial performance of the business.

The company manages and mitigates this with a detailed contract planning, budgeting and negotiation process. There is a dedicated project management team who set up detailed costings

There are terms built into the contract to allow for some variations to be recovered.

#### Financial instruments

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling, with the few Euro transactions being conducted with cash reserves held in a Euro denominated bank account to minimise exposure to short term foreign currency fluctuations. The company does not enter into any hedging agreements.

#### Future developments

The current committed contracts will continue into 2022. The company operates in a developing industry and are world leaders in the design and manufacture of marine vehicles. The company has built up a significant competitive advantage within the industry and has numerous possibilities for future contracts. This along with the significant cash reserves and risk management strategies

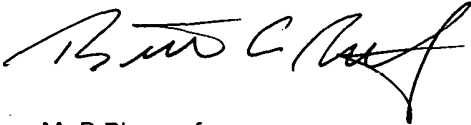
#### Research and development

The company is currently undertaking significant amounts of research and development in various areas to enhance the overall ability of the company to meet the demands in such a fast-moving sector in which it operates.

**M Subs Ltd**

**Strategic report (continued)  
Year ended 31 December 2020**

This report was approved by the board of directors on 22 December 2021 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'B Phaneuf', written in a cursive style.

Mr B Phaneuf  
Director

## **M Subs Ltd**

### **Directors report Year ended 31 December 2020**

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

#### **Directors**

The directors who served the company during the year were as follows:

Mr B Phaneuf

Mr R J Shaw

Mr P D Barretto

Miss L S Hudson (Appointed 1 January 2020)

Mr P G Dowsett (Appointed 24 January 2020)

#### **Dividends**

The directors do not recommend the payment of a dividend.

#### **Future developments**

The current committed contracts will continue into 2022. The company operates in a developing industry and are world leaders in the design and manufacture of marine vehicles. The company has built up a significant competitive advantage within the industry and has numerous possibilities for future contracts. This along with the significant cash reserves and risk management strategies

#### **Financial instruments**

The company has a normal level of exposure to price and credit risk.

Liquidity and cash flow risks arising from trading activities and long-term contracts are managed with careful contract drafting resulting in positive cash flow.

Foreign exchange risk is minimal. The vast majority of the companies' transactions are denominated in GB Pounds Sterling. The small number of Euros transactions are completed using a cash held in Euros reducing the short term risks due to exchange fluctuations.

The company does not enter into any hedging transactions.

#### **Events after the end of the reporting period**

Particulars of events after the reporting period are detailed in note 28 to the financial statements.

**M Subs Ltd**

**Directors report (continued)  
Year ended 31 December 2020**

**Directors responsibilities statement**

The directors are responsible for preparing the strategic report, directors 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 company and 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; 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.


**Auditor**

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

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 22 December 2021 and signed on behalf of the board by:



Mr B Phaneuf  
Director

**M Subs Ltd**

**Independent auditor's report to the members of  
M Subs Ltd  
Year ended 31 December 2020**

**Opinion**

We have audited the financial statements of M Subs Ltd (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## M Subs Ltd

### Independent auditor's report to the members of M Subs Ltd (continued) Year ended 31 December 2020

#### 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.

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

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 material misstatements in the strategic report or 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, 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 the returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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:

## M Subs Ltd

### Independent auditor's report to the members of M Subs Ltd (continued) Year ended 31 December 2020

The extent to which the audit was considered capable of detecting irregularities including fraud  
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows.

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.

We identified the laws and regulations applicable to the company through discussions with the director and other management, and from our knowledge of the industry SAA operates in.

We focused on specific laws and regulations relevant to the entity that may have a material impact on the financial statements including the Companies Act 2006, taxation legislation and data protection.

We assessed the extent of compliance with the above legislation through discussions with management and review of specific correspondence.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining and understanding of how fraud might occur by.

Making enquires of management as to where they considered there was a susceptibility to fraud, their knowledge of actual or suspected or alleged fraud

Considering the internal controls in place to reduce the risk of fraud or non compliance with laws and regulations

To address the risk of fraud through management bias and override of controls, we.

Performed preliminary analytical procedures to identify any unusual or unexpected relationships.

Tested journal entries to identify unusual transactions

Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

Agreeing financial statement disclosures to underlying supporting documentation.

Enquiring of management as to actual or potential litigation and claims.

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 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.
- 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

**M Subs Ltd**

**Independent auditor's report to the members of  
M Subs Ltd (continued)  
Year ended 31 December 2020**

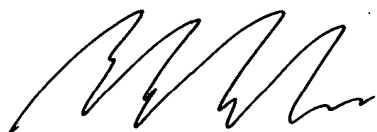
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Prior years financial statements**

This is the first year that the M Subs Ltd financial statements have been audited and therefore the prior year's figures are unaudited.

**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 auditors 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.



Mr Peter Franklin (Senior Statutory Auditor)

For and on behalf of  
Franklins Accountants Ltd  
Chartered Accountants and Statutory Auditors  
Astor House  
2 Alexandra Road  
Mutley Plain  
Plymouth  
PL4 7JR

22 December 2021

**M Subs Ltd**

**Statement of income and retained earnings  
Year ended 31 December 2020**

	Note	2020 £	2019 £
<b>Turnover</b>	<b>4</b>	7,311,340	8,523,399
Cost of sales		(5,269,650)	(6,906,956)
<b>Gross profit</b>		<u>2,041,690</u>	<u>1,616,443</u>
Administrative expenses		(1,365,790)	(1,425,295)
Other operating income	<b>5</b>	<u>39,985</u>	<u>-</u>
<b>Operating profit</b>	<b>6</b>	<u>715,885</u>	<u>191,148</u>
Other interest receivable and similar income	<b>9</b>	10,597	1,997
Interest payable and similar expenses	<b>10</b>	-	(247)
<b>Profit before taxation</b>		<u>726,482</u>	<u>192,898</u>
Tax on profit	<b>11</b>	<u>356,164</u>	<u>66,120</u>
<b>Profit for the financial year and total comprehensive income</b>		<u><u>1,082,646</u></u>	<u><u>259,018</u></u>
<b>Retained earnings at the start of the year</b>		<u>3,874,116</u>	<u>3,615,098</u>
<b>Retained earnings at the end of the year</b>		<u><u>4,956,762</u></u>	<u><u>3,874,116</u></u>

All the activities of the company are from continuing operations.

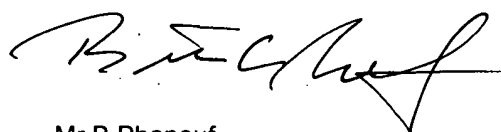
The notes on pages 14 to 28 form part of these financial statements.

M Subs Ltd

Statement of financial position  
31 December 2020

	Note	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13	-		-	
Tangible assets	14	2,302,547		2,308,862	
Investments	15	60		60	
			2,302,607		2,308,922
<b>Current assets</b>					
Stocks	16	277,477		-	
Debtors	17	907,030		1,455,801	
Cash at bank and in hand		5,208,445		1,192,008	
		6,392,952		2,647,809	
<b>Creditors: amounts falling due within one year</b>	18	(3,738,697)		(1,082,515)	
<b>Net current assets</b>			2,654,255		1,565,294
<b>Total assets less current liabilities</b>			4,956,862		3,874,216
<b>Net assets</b>			4,956,862		3,874,216
<b>Capital and reserves</b>					
Called up share capital	24		100		100
Profit and loss account	25		4,956,762		3,874,116
<b>Shareholders funds</b>			4,956,862		3,874,216

These financial statements were approved by the board of directors and authorised for issue on 22 December 2021, and are signed on behalf of the board by:



Mr B Phaneuf  
Director

Company registration number: 5874602

The notes on pages 14 to 28 form part of these financial statements.

**M Subs Ltd**

**Statement of cash flows  
Year ended 31 December 2020**

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,082,646	259,018
<i>Adjustments for:</i>		
Depreciation of tangible assets	131,050	127,801
Government grant income	(39,985)	-
Other interest receivable and similar income	(10,597)	(1,997)
Interest payable and similar expenses	-	247
Gain/(loss) on disposal of tangible assets	81	2,415
Tax on profit	(356,164)	(66,120)
Accrued expenses/(income)	19,853	8,400
<i>Changes in:</i>		
Stocks	(277,477)	293,631
Trade and other debtors	904,935	(1,145,106)
Trade and other creditors	2,597,288	769,316
Cash generated from operations	<u>4,051,630</u>	<u>247,605</u>
Interest paid	-	(247)
Interest received	10,597	1,997
Tax paid	(161)	4,765
Net cash from operating activities	<u><u>4,062,066</u></u>	<u><u>254,120</u></u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(125,616)	(208,885)
Proceeds from sale of tangible assets	800	5,850
Net cash used in investing activities	<u><u>(124,816)</u></u>	<u><u>(203,035)</u></u>
<b>Cash flows from financing activities</b>		
Government grant income	39,985	-
Payment of finance lease liabilities	39,202	(13,385)
Net cash from/(used in) financing activities	<u><u>79,187</u></u>	<u><u>(13,385)</u></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,016,437	37,700
<b>Cash and cash equivalents at beginning of year</b>	<u>1,192,008</u>	<u>1,154,308</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>5,208,445</u></u>	<u><u>1,192,008</u></u>

## M Subs Ltd

### Notes to the financial statements Year ended 31 December 2020

#### 1. General information

The company is a private company limited by shares, registered in England. The address of the registered office is 42 Sisna Park Road, Plymouth, Devon, PL6 7FH.

#### 2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The Triennial review 2017 amendments to the standard have been early adopted.

#### 3. Accounting policies

##### Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

##### Going concern

The directors have examined the adverse effects of the COVID 19 pandemic and the affect that this is expected to have on the company. These are detailed in the Strategic Report. The directors are confident that the company will continue to trade as a going concern for a period of at least 12 months from the approval of these financial statements and therefore have prepared them on a going concern basis.

##### Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements contained in Section 402 of the Companies Act 2006 on the basis that its subsidiaries are excluded from consolidation on the grounds that their inclusion is not material for the purpose of giving a true and fair view.

##### Judgements and key sources of estimation uncertainty

###### Key sources of estimation uncertainty

The accounting policy for the recognition of revenue from construction contracts is shown as part of Note 3 to the financial statements.

The basis of the deferral of contract income is based on an estimation for the percentage of completion of these long-term construction contracts.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

The directors have taken a prudent approach to the recognition of revenue under the long-term contracts. These contracts carry a risk of being onerous and the planned profit margin is not guaranteed. The directors have reviewed the projected build timetable and expected future costs and are of the opinion that the delays already occurring along with increasing costs mean that they are unable to measure the contract profitability reliably. Therefore, the revenue recorded in the 2020 financial year represents the costs incurred that are recoverable.

## M Subs Ltd

### Notes to the financial statements (continued) Year ended 31 December 2020

#### Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

When the outcome of a transaction involving the rendering of services can be reliably estimated, revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

#### Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to profit or loss.

#### Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

## M Subs Ltd

### Notes to the financial statements (continued) Year ended 31 December 2020

#### Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

#### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 50 year	straight line
Plant and machinery	- 15%	reducing balance
Fittings fixtures and equipment	- 15%	reducing balance
Motor vehicles	- 25%	reducing balance

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

#### Fixed asset investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

#### Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

## M Subs Ltd

### Notes to the financial statements (continued) Year ended 31 December 2020

#### **Hire purchase and finance leases**

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis 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 and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

#### **Construction contracts**

Where the outcome of construction contracts can be reliably estimated, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity as at the period end.

Where the outcome of construction contracts cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

The entity uses the percentage of completion method to determine the amounts to be recognised in the period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred for work performed to date do not include costs relating to future activity, such as for materials or prepayments.

## M Subs Ltd

### Notes to the financial statements (continued) Year ended 31 December 2020

#### Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**4. Turnover**

Turnover arises from:

	<b>2020</b>	2019
	<b>£</b>	£
Sale of goods	714,261	415,926
Rendering of services	553,763	199,498
Construction contracts	6,043,316	7,907,975
	<u>7,311,340</u>	<u>8,523,399</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

**5. Other operating income**

	<b>2020</b>	2019
	<b>£</b>	£
Government grant income	39,985	-
	<u>39,985</u>	<u>-</u>

**6. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2020</b>	2019
	<b>£</b>	£
Depreciation of tangible assets	131,050	127,801
(Gain)/loss on disposal of tangible assets	81	2,415
Foreign exchange differences	172	1,152
Fees payable for the audit of the financial statements	12,000	-
Non audit related accountancy services	7,185	6,975
Tax compliance services	2,700	1,200
Qualifying research and development	1,669,557	560,900
	<u>1,669,557</u>	<u>560,900</u>

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**7. Staff costs**

The average number of persons employed by the company during the year, including the directors, amounted to:

	<b>2020</b>	2019
Production staff	59	52
Administrative staff	6	6
	65	58

The aggregate payroll costs incurred during the year were:

	<b>2020</b>	2019
	£	£
Wages and salaries	2,655,255	2,577,992
Social security costs	60,993	45,434
Other pension costs	90,172	86,849
	2,806,420	2,710,275

**8. Directors remuneration**

The directors aggregate remuneration in respect of qualifying services was:

	<b>2020</b>	2019
	£	£
Remuneration	457,395	331,914
	457,395	331,914

The number of directors who accrued benefits under company pension plans was as follows:

	<b>2020</b>	2019
	Number	Number
Defined contribution plans	5	4
	5	4

Remuneration of the highest paid directors in respect of qualifying services:

	<b>2020</b>	2019
	£	£
Aggregate remuneration	195,201	180,000
Company contributions to pension plans in respect of qualifying services	9,480	-
	204,681	180,000

M Subs Ltd

Notes to the financial statements (continued)  
Year ended 31 December 2020

9. Other interest receivable and similar income

	2020	2019
	£	£
Bank deposits	10,597	1,797
Other interest receivable and similar income	-	200
	<u>10,597</u>	<u>1,997</u>

10. Interest payable and similar expenses

	2020	2019
	£	£
Other loans made to the company:		
Finance leases and hire purchase contracts	-	247
	<u>-</u>	<u>247</u>

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**11. Tax on profit**

**Major components of tax income**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
UK current tax income/expense	(356,164)	161
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	(66,281)
<b>Tax on profit</b>	<u>(356,164)</u>	<u>(66,120)</u>

**Reconciliation of tax income**

The tax assessed on the profit for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit before taxation	726,482	192,898
Profit multiplied by rate of tax	138,032	36,651
Effect of capital allowances and depreciation	(2,747)	(13,704)
Utilisation of tax losses	-	(22,786)
Research and development enhancement	(135,285)	-
Current year R and D tax credit	(211,471)	-
Prior years R and D tax credit	(144,693)	-
Deferred tax movements	-	(66,281)
<b>Tax on profit</b>	<u>(356,164)</u>	<u>(66,120)</u>

The company has amended its 2018 and 2019 corporation tax returns since the submission of the 2019 accounts to include the research and development claims and associated repayable tax credits. This is the explanation for the amount £114,693 included within the reconciliation.

**Factors affecting future tax expense**

At the 31st December 2020 the company has tax losses to carry forward of £660,886 to offset against future trading profits. Due to these tax losses the company has not recognised a deferred tax provision.

**M Subs Ltd**

**Notes to the financial statements (continued)  
Year ended 31 December 2020**

**12. Earnings per share**

**Basic earnings/(loss) per share**

The earnings/(loss) and weighted average number of shares used in the calculation of basic earnings/(loss) per share are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit for the year attributable to the owners of the company	1,082,646	259,018
	<u>          </u>	<u>          </u>

**Diluted earnings/(loss) per share**

The earnings/(loss) and weighted average number of shares used in the calculation of diluted earnings/(loss) per share are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Earnings/(loss) used in calculation of basic earnings/(loss) per share	1,082,646	259,018
	<u>          </u>	<u>          </u>

**13. Intangible assets**

	<b>Goodwill</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 January 2020 and 31 December 2020	28,821	28,821
	<u>          </u>	<u>          </u>
<b>Amortisation</b>		
At 1 January 2020 and 31 December 2020	28,821	28,821
	<u>          </u>	<u>          </u>
<b>Carrying amount</b>		
At 31 December 2020	-	-
	<u>          </u>	<u>          </u>
At 31 December 2019	-	-
	<u>          </u>	<u>          </u>

**M Subs Ltd**

**Notes to the financial statements (continued)  
Year ended 31 December 2020**

**14. Tangible assets**

	Freehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2020	1,848,466	619,154	415,795	42,590	2,926,005
Additions	-	30,347	85,674	9,595	125,616
Disposals	-	-	-	(4,950)	(4,950)
<b>At 31 December 2020</b>	<u>1,848,466</u>	<u>649,501</u>	<u>501,469</u>	<u>47,235</u>	<u>3,046,671</u>
<b>Depreciation</b>					
At 1 January 2020	83,014	290,303	205,007	38,819	617,143
Charge for the year	27,671	51,018	44,470	7,891	131,050
Disposals	-	-	-	(4,069)	(4,069)
<b>At 31 December 2020</b>	<u>110,685</u>	<u>341,321</u>	<u>249,477</u>	<u>42,641</u>	<u>744,124</u>
<b>Carrying amount</b>					
<b>At 31 December 2020</b>	<u>1,737,781</u>	<u>308,180</u>	<u>251,992</u>	<u>4,594</u>	<u>2,302,547</u>
At 31 December 2019	<u>1,765,452</u>	<u>328,851</u>	<u>210,788</u>	<u>3,771</u>	<u>2,308,862</u>

**15. Investments**

	Shares in group undertakings	Total
	£	£
<b>Cost</b>		
At 1 January 2020 and 31 December 2020	60	60
<b>Impairment</b>		
At 1 January 2020 and 31 December 2020	-	-
<b>Carrying amount</b>		
<b>At 31 December 2020</b>	<u>60</u>	<u>60</u>
At 31 December 2019	<u>60</u>	<u>60</u>

The subsidiary investment represents the 60% ownership of Marine AI Ltd which is a dormant limited company.

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**Investments in group undertakings**

	Registered office	Class of share	Percentage of shares held
<b>Subsidiary undertakings</b>			
Marine AI Ltd	42 Sisna Park Road Estover Plymouth PL6 7FH	Ordinary Shares	60

**16. Stocks**

	2020	2019
	£	£
Work in progress	277,477	-

**17. Debtors**

	2020	2019
	£	£
Trade debtors	229,527	1,284,967
Prepayments and accrued income	93,747	75,304
Other debtors	583,756	95,530
	<u>907,030</u>	<u>1,455,801</u>

**18. Creditors: amounts falling due within one year**

	2020	2019
	£	£
Trade creditors	439,265	206,976
Accruals and deferred income	38,028	18,175
Corporation tax	-	161
Social security and other taxes	80,954	69,861
Amounts owed to customers on construction contracts	3,134,350	775,984
Obligations under finance leases	39,202	-
Other creditors	6,898	11,358
	<u>3,738,697</u>	<u>1,082,515</u>

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**19. Obligations under finance leases**

**Company lessee**

The total future minimum lease payments under finance lease agreements are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	39,202	-
Present value of minimum lease payments	39,202	-

**20. Provisions**

There are no provisions recognised at the year end.

**21. Deferred tax**

The deferred tax included in the statement of financial position is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
	Nil	Nil

Due to the b/fwd tax losses no deferred tax liability has been recognised in these accounts.

**22. Employee benefits**

The amount recognised in profit or loss in relation to defined contribution plans was £90,172 (2019: £86,849).

**23. Government grants**

The amounts recognised in the financial statements for government grants are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Recognised in other operating income:		
CJRS grants recognised directly in income	39,985	-

**24. Called up share capital  
Issued, called up and fully paid**

	<b>2020</b>		<b>2019</b>	
	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
Ordinary shares shares of £ 1.00 each	100	100	100	100

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**25. Reserves**

The profit and loss reserve consists entirely of distributable retained earnings.

**26. Analysis of changes in net debt**

	At 1 January 2020	Cash flows	At 31 December 2020
	£	£	£
Cash and cash equivalents	1,192,008	4,016,437	5,208,445
Debt due within one year	-	(39,202)	(39,202)
	<u>1,192,008</u>	<u>3,977,235</u>	<u>5,169,243</u>

**27. Operating leases**

**The company as lessee**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £	2019 £
Not later than 1 year	<u>30,285</u>	<u>70,665</u>

**28. Events after the end of the reporting period**

Since the year end the government has introduced various Covid 19 related restrictions. During these restrictions the company has been able to continue to trade as usual. There have been some immaterial additional costs related to employee protection however these are relatively small and non-adjusting. The directors have implemented successful strategies to mitigate these COVID specific risks.

**M Subs Ltd**

**Notes to the financial statements (continued)**  
**Year ended 31 December 2020**

**29. Directors advances, credits and guarantees**

During the year the directors entered into the following advances and credits with the company:

	2020		
	Balance brought forward	Amounts repaid	Balance o/standing
	£	£	£
Mr B Phaneuf	<u>8,044</u>	<u>(8,044)</u>	<u>-</u>
	2019		
	Balance brought forward	Amounts repaid	Balance o/standing
	£	£	£
Mr B Phaneuf	<u>21,582</u>	<u>(13,538)</u>	<u>8,044</u>

A loan of £8,043.88 was repaid by Mr B Phaneuf (director) during the year.

**30. Related party transactions**

During the year the M Subs Ltd invoiced Submergence Group LLC a total of £8,421,270.65 relating to long term construction contracts. Submergence Group LLC owns 100% of M Subs Ltd. During the financial year M Subs Ltd invoiced Promare a US non-profit corporation and charity a total of £714,260.79 for the design and build of the Mayflower Autonomous Ship. Promare shares a number of key management personnel with Submergence Group and M Subs Ltd.

**31. Controlling party**

The company is controlled by Submergence Group LLC (shareholder). Submergence Group LLC is controlled by Mr G Cook and Mr B Phaneuf.