



BMT Group Ltd Directors' Reports and Accounts 2018

Company No: 1887373

Accounting Date:
30 September 2018

DIRECTORS

Sir J A Hood KNZM - Chairman
Mrs S L Kenny - Chief Executive
Mr I R Davies - Deputy Chairman
Mrs W J Barnes
Mr D K McSweeney
Mr C M Packshaw
Professor M H Patel
Mr D R Webb

COMPANY SECRETARY & GENERAL COUNSEL

Mrs T M Grey

AUDITOR

RSM UK Audit LLP

SOLICITORS

Stevens & Bolton LLP

PRINCIPAL BANKERS

Barclays Bank Plc
HSBC Bank Plc
SunTrust Bank Inc

REGISTERED OFFICE

Goodrich House
1 Waldegrave Road
Teddington
TW11 8LZ
United Kingdom

COMPANY NO.

1887373

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STRATEGIC REPORT

BMT is a leading international design, engineering, science and risk management consultancy with a reputation for engineering excellence. The Company is a member-based company limited by guarantee, with the assets of the company held in beneficial ownership for its staff through the BMT Employee Benefit Trust.

STRATEGIC OBJECTIVES

Our Vision is to be recognised in our core markets as the trusted partner for scientific and engineering-led advice, solutions and services, addressing the most challenging needs of our clients.

This will be achieved through focussing on our three strategic priorities that take us towards this vision:

1. Sustain the Core:

- Success in our core markets earns us the right to grow
- Everything we do today, matured to profitability, represents our core
- Reversing the trend of a reducing market share in some of our core markets

2. Grow Through Collaboration:

- Taking existing BMT capabilities to existing BMT customers for whom that capability is new
- Regional strategies, in the Middle East and South East Asia

3. Invest in and Exploit Innovation:

- New capabilities which we are taking to our existing customers
- Market led and focused innovation programmes
- Initially pursuing five strategic growth campaigns, representing the things we want to be recognised for, alongside our current core business, in five years' time.

INTEGRATED STRATEGIC BUSINESS PLANNING

Through our newly introduced Integrated Strategic Business Planning (ISBP) approach we are building a rolling 5 year view that connects our strategy to our business plans, and actively seeking new opportunities that enable us to achieve our growth ambitions for the business. In addition, we continue to build on current successes in our core markets, and are combining them with new ideas and opportunities that will deliver further growth. The path to achieving our growth ambitions has been set out by engaging with each operating unit and then further developing through capability and market review, before being compiled into a single view of the business and combined with expectations for our strategic growth campaigns.

REVIEW OF THE BUSINESS

The group has delivered a reasonably satisfactory financial performance in very challenging economic conditions.

Turnover has risen by 2% to £175.7m (2017: £172.4m) and underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has fallen by 36% to £6.1m (2017: £9.6m). We did not achieve our objective of improving the underlying EBITDA margin during this financial year but at 3.5% (2017: 5.6%) the outcome is satisfactory given the tough market conditions overall. Given these circumstances, we believe that our current strategic priority of right sizing the business, whilst continuing to invest in our research and development, remain appropriate and we will continue to pursue them.

FINANCIAL HIGHLIGHTS

| | 2018 £'000 | 2017 £'000 |
|--|----------------|----------------|
| Turnover | <u>175,681</u> | <u>172,352</u> |
| Total Profit Reconciliation | | |
| Underlying EBITDA before the following items: | 6,143 | 9,602 |
| Performance related bonuses in year | (700) | (3,845) |
| EBITDA | <u>5,443</u> | <u>5,757</u> |
| Depreciation, amortisation and impairment | (3,292) | (3,697) |
| Group operating profit | <u>2,151</u> | <u>2,060</u> |
| Key Performance Indicators | | |
| Underlying EBITDA margin on turnover | 3.5% | 5.6% |
| Turnover per employee | £109,527 | £106,588 |
| The average number of employees (headcount) were: | 1,604 | 1,617 |
| The average number of employees (full-time equivalent) were: | 1,475 | 1,485 |

PEOPLE

The group is a knowledge-based organisation which sells its technology and expertise. We recognise that the people we employ are our most valuable resource and this is underlined by our Employee Benefit Trust ownership structure, which also guards our independence. We continue to develop the skills of our people through training programmes, bringing employees together from all over the world, enriching our network of professionals and administrators across the globe.

Employee engagement, a key metric for our business, is encouraged in a number of ways including an Employee Engagement Group (Staff Council) with regular, direct access to senior leaders in the organisation.

We recognise the importance of communicating effectively with our staff through many channels including our intranet and digital media. Senior leaders give town hall presentations to all staff at least twice per year. Business performance is shared monthly with staff via performance dashboard on the corporate intranet.

Ethics are a defining feature of our corporate culture and all employees are required to conduct themselves in accordance with an ethics policy, tailored to the needs of the businesses but ensuring a common standard of ethical behaviour. The objectives of the policy are to:

- encourage people to raise issues and concerns;
- provide clear guidance to all staff on the ethical standards required;
- ensure compliance with relevant local legislation, including the UK 2010 Bribery Act; and
- increase transparency relating to the governance of the business.

We are an equal opportunity employer and strive to set exemplary standards of equality, diversity and inclusion. Our policy framework seeks to ensure that people are treated equally, regardless of their gender, race, colour, age, disability, sexual orientation, religious beliefs, nationality or marital status. It applies to all aspects of employment and is reinforced through the promotion of diversity strategy and awareness raising activities throughout our business.

The group gives proper consideration to applications for employment from disabled persons. Where an employee becomes disabled, the group endeavours to continue their employment, provided there are duties the employee is capable of performing. When acquiring or modifying properties, the group endeavours to make the property accessible to individuals with a disability.

From initial concept through to design, construction, operation and eventual decommissioning, we support customers at every stage of the project lifecycle. Our customers across the world buy outcomes: cost-effective solutions to business problems that require technical excellence, independent thinking and innovation.

With around 1,500 professionals located in 66 offices in Europe, Asia, Australia and the Americas we draw upon a wide range of experience and expertise to provide high-quality, high-value products and services. These aim to help our customers operate their businesses in the most cost-effective, safe, reliable and environmentally responsible manner.

BMT's combination of intellectual rigour and commercial insight has helped us to play an important and increasing role in industries as diverse as oil and gas, defence, security, renewable energy, ports and maritime transport.

ENVIRONMENTAL MATTERS

The group takes a responsible attitude towards the environment. Most of our direct environmental impacts relate to the running of our offices and to business travel. We are actively managing the CO2 emissions associated with both these activities in order to improve year on year.

We participate proactively in the UK Energy Savings Opportunity Scheme (ESOS). BMT is meeting its obligations and reporting energy consumption over a 12 month period for all its UK activities, recommendations for improving efficiency have been implemented. We are currently preparing for the phase two, qualification and compliance stage of this scheme.

A small number of operating companies act as system integrators or are engaged in the creation of physical products. These products are considered to have very limited capacity for creating adverse environmental impacts. Many of the services provided by our operating companies enable their clients to enhance the environmental performance of their activities. Examples of this include environmental monitoring and impact assessment for extractive industries, green port design, fuel efficiency and carbon reduction in shipping, groundwater remediation and green building assessments. We will continue to take an active role in managing our own environmental impacts alongside the significantly greater positive impacts we are achieving through the advice and technical expertise we are providing to our customers.

RISKS & OPPORTUNITIES

We recognise that effective risk management is fundamental to helping achieve our strategic objectives.

Key risks are:

- *Operational risk*: the company has key internal controls that are clearly documented within its corporate operating standards to mitigate risks associated with an operational failure.
- *Financial investment risk*: senior level committees have been established with specific responsibilities for ensuring the proper governance and integrity of the group's finances, having regard both to funds held internally and to those managed by external fund managers.
- *Foreign exchange risk*: where possible, each business undertakes commercial transactions in its own functional currency. Where this is not possible, the group manages its foreign exchange risk from commercial transactions using derivative contracts where appropriate.

- *Credit and liquidity risk:* we assess the credit quality of each customer using a combination of external ratings agencies and past experience for trade and other receivables and we closely monitor payment performance both at individual project and client level.
- *Pension risk:* the two closed defined benefit pension schemes are both at risk from the continuance of lower than expected yields on investments. Revised recovery plans have been implemented following actuarial valuations. The Trustees' investment strategies are reviewed continuously.
- *Recruitment and retention of staff:* we operate profit sharing schemes to reward staff for their contribution and loyalty and benchmark our performance against other companies in key areas such as salary, benefits, rewarding work and approach to social issues. We also conduct regular staff satisfaction surveys to determine the success of the initiatives undertaken.
- *Competitive environment:* we review market developments and monitor the activity of our competitors, adapting our strategies to meet changing customer needs and maintain a distinct competitive advantage.
- *Reputational risks:* our main reputational risks relate to the delivery of projects, having regard to the quality of the deliverables and health and safety. Project risk is managed through robust policies, procedures and management systems, reinforced by regular audits. Clear and explicit senior management leadership on health, safety and environmental matters is regularly reinforced via targeted campaigns.
- *Physical and data security risks:* we use appropriate physical security, secure networks and encryption in order to protect data and we train staff on best practice in information assurance. Independent professional risk and security information is obtained for countries in which we propose to operate or travel.

LOOKING FORWARD

The changes we are making in BMT are co-ordinated through a targeted and strategy led transformation programme. Our "Fix-Win-Grow" strategic approach sets a challenging timeline for delivering real change. We are halfway through the two year "Fix" phase, which puts our customers first, streamlines our corporate structure, and introduces further process efficiencies, to get our business fit for future success. We have an ambitious growth target that leads us to a stronger business, better able to create value for our customers and opportunities for our staff

As approved by the Board and signed on its behalf:



T M Grey
Company Secretary
20 December 2018

DIRECTORS' REPORT

The directors submit their Report, along with the Strategic Report and Financial Statements for BMT Group Ltd, and the group as a whole, for the year ended 30 September 2018. Details of the financial management objectives of the group are included in the Strategic Report. The company UK registration number is 1887373.

DIRECTORS

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

| | | |
|---------------------|-------------------|------------------------|
| Sir J A Hood, KNZM | (Chairman) | |
| Mrs S L Kenny | (Chief Executive) | |
| Mr I R Davies | (Deputy Chairman) | |
| Mrs W J Barnes | | |
| Mr D K McSweeney | | |
| Mr C M Packshaw | | |
| Professor M H Patel | | |
| Mr D R Webb | | (Appointed 1 Oct 2018) |
| Mr R Adam | | (Resigned 17 Jan 2018) |

BMT EMPLOYEE BENEFIT TRUST

The parent company is limited by guarantee, without any share capital and is in the ultimate control of the Trustees of the BMT Employee Benefit Trust, established for the long-term stability of the group and for the benefit of its employees.

The Trustees of the BMT Employee Benefit Trust, who are the sole voting members of the company, are:

Mr I R Davies (Chairman)
Sir J A Hood KNZM
Professor M H Patel
Mr G W Morton (Independent Trustee)

Trustees and non-executive directors of the company cannot benefit from the BMT Employee Benefit Trust or any profit related schemes within BMT.

RESULTS AND PROFIT SHARING

The financial highlights are set out in the Strategic Report. Group operating profit was £2.9m (2017: £2.1m) and the group profit sharing scheme is £0.7 (2017: £nil).

PRINCIPAL ACTIVITIES

Our principal activities are focused on the provision of engineering, science and technology consultancy. We are a people business and our success is a reflection of the hard work and dedication of our worldwide team of experts, who seek technical excellence and innovation in all aspects of the business. The consultancy is supported by significant investment in research and development.

STRATEGIC REPORT

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Sch. 7 to be contained in the directors' report. It has done so in respect of future developments, employees and principal risks and uncertainties.

CORPORATE GOVERNANCE

BMT Group Ltd is a large company as defined by the Companies Act. Its policy is to comply with the spirit of corporate governance as set out in the UK Corporate Governance Code insofar as it is applicable to an unlisted company, which is a continuous process overseen at a senior level and instituted throughout the group.

The Board operates through the following governance committees: Audit, Innovation, Investment, Nominations, Banking and Remuneration, comprising a mix of non-executive and executive directors and other senior members of staff who participate as and when appropriate.

The company's Banking Committee oversees the group's treasury and related risks and advises on banking facilities, project related guarantees and foreign currency exposures. In addition, each of the operating companies is managed by its own Board of directors, which meets in the main quarterly with informal leadership management meetings more often throughout the year.

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE ACCOUNTS

The directors are responsible for preparing the Strategic Report and Directors' Report and 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 Accounts Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

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

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

AUDITOR AND STATEMENT OF DISCLOSURE

The directors who were in office on the date of approval of the annual reports and financial statements have confirmed that, as far as they are aware:

- there is no relevant audit information of which the auditor is unaware; and
- they have taken all the steps which they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

RSM UK Audit LLP (Chartered Accountants), has indicated its willingness to continue in office as auditor.

HEALTH AND SAFETY

The group has policies and procedures in place in order to comply with the requirements and spirit of all relevant legislation. Pro-active reporting is required at all Board meetings and informal management meetings throughout the group and the director with responsibility for health and safety matters at BMT Group Board level is Mrs S L Kenny, Chief Executive.

Signature: 
By order of the Board
T M Grey
Secretary, 13 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMT GROUP LIMITED

Opinion

We have audited the financial statements of BMT Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the Consolidated Profit & Loss Account, Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheet, Consolidated and Parent Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Signature: RSM UK Audit LLP

Christopher Hurren BA FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants, 3rd Floor, One London Square, Cross Lanes, Guildford, Surrey GU1 1UN

21 DECEMBER 2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|------------------|------------------|
| Group turnover | 2 | 175,681 | 172,352 |
| Group operating costs | 3 | <u>(172,830)</u> | <u>(170,292)</u> |
| Group operating profit | 4 | 2,851 | 2,060 |
| Fixed asset investments: - Fair value loss | 13 | (17) | (58) |
| Net interest payable | 9 | <u>(830)</u> | <u>(1,089)</u> |
| PROFIT BEFORE BMT PROFIT SHARING SCHEME & TAX | | 2,004 | 913 |
| BMT profit sharing scheme | | <u>(700)</u> | <u>-</u> |
| PROFIT BEFORE TAX | | 1,304 | 913 |
| Taxation | 10 | <u>(1,051)</u> | <u>(373)</u> |
| PROFIT AFTER TAX RETAINED FOR THE YEAR | | <u>253</u> | <u>540</u> |

Profit for the year attributable to:

| | 2018 £'000 | 2017 £'000 |
|----------------------------|---------------|---------------|
| Owners of the parent | 227 | 540 |
| Non-controlling interest | <u>26</u> | <u>-</u> |
| PROFIT FOR THE YEAR | <u>253</u> | <u>540</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Notes | 2018 £'000 | 2017 £'000 |
|---|----------------|---------------|
| PROFIT FOR THE YEAR | 253 | 540 |
| Other comprehensive income:- | | |
| <i>Movement on pension schemes</i> | | |
| Return on scheme assets (excluding amount included in net interest expense) | 4,024 | 3,828 |
| Actuarial (losses)/gains on liabilities | (8,597) | 12,914 |
| Movement in deferred tax relating to actuarial (loss)/gain on pensions | 569 | (2,853) |
| Exchange movement on foreign pensions | (18) | 39 |
| | (4,022) | 13,928 |
| Revaluation of freehold land and buildings | (505) | - |
| Unrealised net exchange movement on foreign equity investments | (276) | (86) |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR | <u>(4,550)</u> | <u>14,382</u> |

None of the above Other Comprehensive Income was attributable to non-controlling interests (2017: nil)

CONSOLIDATED BALANCE SHEET

Company No: 1887373

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Goodwill | 11 | 752 | 946 |
| Other intangible assets | 11 | - | 64 |
| Tangible assets | 12 | 13,674 | 15,000 |
| Investments | 13 | 5,480 | 5,607 |
| | | <u>19,906</u> | <u>21,617</u> |
| CURRENT ASSETS | | | |
| Stock | | 547 | 909 |
| Debtors | | | |
| amounts falling due within one year | 14 | 52,853 | 53,892 |
| amounts falling due after one year | 14 | 9,395 | 8,876 |
| Cash at bank and in hand | 15 | 23,052 | 25,086 |
| | | <u>85,847</u> | <u>88,763</u> |
| CREDITORS: amounts falling due within one year | 16 | <u>39,234</u> | <u>42,602</u> |
| NET CURRENT ASSETS | | <u>46,613</u> | <u>46,161</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 66,519 | 67,778 |
| CREDITORS: amounts falling due after more than one year | 17 | 2,223 | 2,458 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 19 | <u>1,197</u> | <u>1,249</u> |
| NET ASSETS EXCLUDING PENSION LIABILITY | | 63,099 | 64,071 |
| Defined Benefit pension liability | 20 | <u>35,888</u> | <u>32,404</u> |
| NET ASSETS INCLUDING PENSION LIABILITY | | <u><u>27,211</u></u> | <u><u>31,667</u></u> |
| CAPITAL AND RESERVES | | | |
| Profit and loss account | 21 | 52,595 | 53,587 |
| Other reserves - Pension | 21 | (29,740) | (26,627) |
| Other reserves - Fixed assets | 21 | <u>4,181</u> | <u>4,707</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | 27,036 | 31,667 |
| NON-CONTROLLING INTERESTS | | <u>175</u> | <u>-</u> |
| | | <u><u>27,211</u></u> | <u><u>31,667</u></u> |

The accounts on pages 11 to 47 were approved by the Board of Directors and authorised for issue
On 13 December 2018 and are signed on its behalf by:



S L Kenny
Director



D K McSweeney
Director

PARENT COMPANY BALANCE SHEET

Company No: 1887373

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 7,022 | 8,211 |
| Investments | 13 | 23,609 | 24,171 |
| | | <u>30,631</u> | <u>32,382</u> |
| CURRENT ASSETS | | | |
| Debtors | | | |
| amounts falling due within one year | 14 | 7,849 | 9,174 |
| amounts falling due after one year | 14 | 18,556 | 15,918 |
| Cash at bank and in hand | | <u>7,613</u> | <u>10,264</u> |
| | | <u>34,018</u> | <u>35,356</u> |
| CREDITORS: amounts falling due within one year | 16 | <u>6,192</u> | <u>9,351</u> |
| NET CURRENT ASSETS | | <u>27,826</u> | <u>26,005</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 58,457 | 58,387 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 19 | <u>660</u> | <u>660</u> |
| NET ASSETS EXCLUDING PENSION LIABILITY | | 57,797 | 57,727 |
| Defined benefit pension liability | 20 | <u>34,706</u> | <u>30,826</u> |
| NET ASSETS INCLUDING PENSION LIABILITY | | <u>23,091</u> | <u>26,901</u> |
| CAPITAL AND RESERVES | | | |
| Profit and loss account | 21 | 47,929 | 47,996 |
| Other reserves - Pension | 21 | (28,806) | (25,586) |
| Other reserves - Fixed assets | 21 | 2,356 | 2,879 |
| Other reserves - Investment Properties | 21 | <u>1,612</u> | <u>1,612</u> |
| TOTAL FUNDS | | <u>23,091</u> | <u>26,901</u> |

The company's profit for the year and total comprehensive loss for the year were £729,000 and £(3,810,000) respectively. The accounts on pages 11 to 47 were approved by the Board of Directors and authorised for issue on 13 December 2018 and are signed on its behalf by:



S L Kenny
Director



D K McSweeney
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Owners of the Parent | | | | | Non-controlling interests | Total |
|--|--------------------------------------|---------------------------------|------------------------------|-----------------------|-------|---------------------------|-------|
| | Profit and loss account | Defined Benefit Pension reserve | Other reserves- Fixed Assets | Controlling interests | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Balance at 1 October 2016 | 53,769 | (41,212) | 4,728 | 17,285 | - | 17,285 | |
| Profit for the year | 540 | - | - | 540 | - | 540 | |
| <i>Other comprehensive income:</i> | | | | | | | |
| Gain on defined benefit pension plans | - | 13,928 | - | 13,928 | - | 13,928 | |
| Unrealised net exchange movement on foreign equity investments | (86) | - | - | - | - | (86) | |
| Total Comprehensive Income | 454 | 13,928 | - | 14,468 | - | 14,382 | |
| <i>Transfer between reserves:</i> | | | | | | | |
| Pension Costs | (657) | 657 | - | - | - | - | |
| Excess depreciation | 21 | - | (21) | - | - | - | |
| Total movements in the year | (182) | 14,585 | (21) | 14,468 | - | 14,382 | |
| Balance at 30 September 2017 | 53,587 | (26,627) | 4,707 | 31,753 | - | 31,667 | |
| Profit for the year | 227 | - | - | 227 | 26 | 253 | |
| <i>Other comprehensive income:</i> | | | | | | | |
| Loss on defined benefit pension plans | - | (4,022) | - | (4,022) | - | (4,022) | |
| Unrealised net exchange movement on foreign equity investments | (276) | - | - | (276) | - | (276) | |
| Capital contribution | - | - | - | - | - | - | |
| Revaluation of land and buildings | - | - | (505) | (505) | - | (505) | |
| Total Comprehensive Income | (49) | (4,022) | (505) | (4,576) | 26 | (4,550) | |
| <i>Transactions with owners:</i> | | | | | | | |
| Capital contributed | - | - | - | - | 85 | 85 | |
| Disposal of shares to non controlling interest | (55) | - | - | (55) | 64 | 9 | |
| <i>Transfer between reserves:</i> | | | | | | | |
| Pension Costs | (909) | 909 | - | - | - | - | |
| Excess depreciation | 21 | - | (21) | - | - | - | |
| Total movements in the year | (992) | (3,113) | (526) | (4,631) | 175 | (4,456) | |
| Balance at 30 September 2018 | 52,595 | (29,740) | 4,181 | 27,036 | 175 | 27,211 | |

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| | Profit and loss account £'000 | Defined benefit pension scheme £'000 | Other reserves- Fixed Assets £'000 | Other reserves- Investment property £'000 | Total £'000 |
|--------------------------------------|--|--|---|---|----------------|
| Balance at 1 October 2016 | 52,609 | (39,554) | 2,900 | 1,612 | 17,567 |
| Loss for the year | (3,849) | - | - | - | (3,849) |
| Other reserve movement | (176) | | | | (176) |
| Other comprehensive income: | | | | | |
| Gain on defined benefit pension plan | - | 13,359 | - | - | 13,359 |
| Total Comprehensive Income | (4,025) | 13,359 | - | - | 9,334 |
| Transfer between reserves: | | | | | |
| Valuation of investment property | - | - | - | - | - |
| Pension scheme | (609) | 609 | - | - | - |
| Excess depreciation | 21 | - | (21) | - | - |
| Total movements in the year | (4,613) | 13,968 | (21) | - | 9,334 |
| Balance at 30 September 2017 | 47,996 | (25,586) | 2,879 | 1,612 | 26,901 |
| Profit for the year | 729 | - | - | - | 729 |
| Other reserve movement | - | - | - | - | - |
| Other comprehensive income: | | | | | |
| Revaluation of land and buildings | - | - | (523) | - | (523) |
| Gain on defined benefit pension plan | - | (4,016) | - | - | (4,016) |
| Total Comprehensive Income | 729 | (4,016) | (523) | - | (3,810) |
| Transfer between reserves: | | | | | |
| Valuation of investment property | - | - | - | - | - |
| Pension scheme | (796) | 796 | - | - | - |
| Excess depreciation | - | - | - | - | - |
| Total movements in the year | (67) | (3,220) | (523) | - | (3,810) |
| Balance at 30 September 2018 | 47,929 | (28,806) | 2,356 | 1,612 | 23,091 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2018 | 2017 |
|--|----------------|----------------|
| | £'000 | £'000 |
| OPERATING ACTIVITIES | | |
| Cash generated from operations on page 18 | 5,715 | 6,955 |
| Interest paid | (69) | (116) |
| Income taxes paid | (421) | (391) |
| | <u>5,225</u> | <u>6,448</u> |
| NET CASH FROM OPERATING ACTIVITIES | | |
| INVESTING ACTIVITIES | | |
| Acquisition of subsidiaries net of cash received | (135) | - |
| Proceeds on disposal of investment property | - | 650 |
| Purchase of investments | (67) | - |
| Purchase of tangible fixed assets | (2,687) | (1,932) |
| Proceeds on disposal of tangible fixed assets | - | 326 |
| Proceeds on disposal of investments | 172 | 25 |
| Proceeds on disposal of non-controlling interest | 9 | - |
| Interest and similar income received | 148 | 53 |
| | <u>(2,560)</u> | <u>(878)</u> |
| NET CASH FROM (USED) IN/FROM INVESTING ACTIVITIES | | |
| BMT PROFIT SHARING SCHEME PAYMENT | <u>-</u> | <u>-</u> |
| NET CASH INFLOW BEFORE FINANCING | <u>2,665</u> | <u>5,570</u> |
| FINANCING ACTIVITIES | | |
| Repayments of short term loans | (1,043) | (1,776) |
| NET CASH (USED IN) / FROM FINANCING ACTIVITIES | <u>(1,043)</u> | <u>(1,776)</u> |
| NET INCREASE/(DECREASE) IN CASH | <u>1,622</u> | <u>3,794</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>20,932</u> | <u>17,138</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>22,554</u> | <u>20,932</u> |
| Relating to:- | | |
| Bank balances and short term deposits included in cash at bank and in hand | 23,052 | 25,086 |
| Overdrafts included in "creditors: amounts falling due within one year" | (498) | (4,154) |
| | <u>22,554</u> | <u>20,932</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM (USED IN) OPERATIONS | | |
| Profit after tax | 253 | 540 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets | 2,832 | 2,708 |
| Amortisation & impairment of intangible assets and goodwill | 460 | 989 |
| Loss on disposal of tangible fixed assets | 526 | 17 |
| Defined benefit pension schemes | (2,447) | (2,460) |
| Fair value losses/(gains) on investments | (17) | 58 |
| Income and gains from fixed asset investments | (148) | (196) |
| Interest payable | 978 | 1,285 |
| Taxation | 1,051 | 373 |
| Foreign exchange differences | (102) | 6 |
| OPERATING CASHFLOWS BEFORE MOVEMENTS IN WORKING CAPITAL | 3,386 | 3,320 |
| Decrease / (increase) in stock | 362 | (227) |
| Decrease/(increase) in debtors | 1,799 | 2,454 |
| (Decrease) / increase in creditors | 168 | 1,408 |
| CASH GENERATED FROM OPERATIONS | 5,715 | 6,955 |
| | 2018 | 2017 |
| | £'000 | £'000 |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS | | |
| Increase in cash | 1,622 | 3,794 |
| Net movement on short-term loans | 1,043 | 1,776 |
| | 2,665 | 5,570 |
| Net funds as at 1 October | 19,791 | 14,221 |
| Net funds as at 30 September | 22,456 | 19,791 |
| | 2018 | 2017 |
| | £'000 | £'000 |
| ANALYSIS OF NET FUNDS | | |
| Net cash at bank and in hand | 22,554 | 20,932 |
| Bank loans | (98) | (1,141) |
| | 22,456 | 19,791 |

1. PRINCIPAL ACCOUNTING POLICIES

General Information

BMT Group Limited ("the Company") is a private company, limited by guarantee, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Goodrich House, 1 Waldegrave Road, Teddington, Middlesex, TW11 8LZ.

The Group consists of BMT Group Limited and all of its subsidiaries.

The Company's and the Group's principal activities are set out in the Directors' report on page 7.

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

The group operates a number of profit sharing schemes, which are now all based on the overall results of the group and they are designed to reward performance as well as loyalty. In view of the bases of this share of profit, the directors have modified the format of the group statement of other comprehensive income and present it separately, as a charge immediately above 'Profit on ordinary activities before Tax'. The directors believe this presentation better reflects the nature of this benefit enjoyed by the employees of the group and is required in order to show a true and fair view.

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

Going concern

The directors have a reasonable expectation that the company and the group have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE ACCOUNTS

Functional and presentational currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the Group.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate those of BMT Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 September 2018.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date.

Associates

Undertakings in which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions but not control or joint control over those policies) are classified as associates. The Group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the associate's financial statements to 30 September.

Company Profit & Loss Account

As permitted by Section 408 of the Companies Act 2006, no individual profit & loss account is presented for the parent company as it prepares group accounts and the company's individual balance sheet shows the company's profit for the financial year.

Fixed asset investments

The groups' investments are classified as financial instruments and accounted for in accordance with the accounting policy at fair value through the profit and loss. Since the investments are all listed the basis of measurement is market value.

NOTES TO THE ACCOUNTS

Goodwill

Goodwill on acquisitions represents the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets acquired. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

Goodwill totalling £2.1m that arose prior to 1 October 1998 was written off to retained profit and loss reserves. Goodwill arising on acquisitions occurring since 1 October 1998 has been capitalised in the balance sheet and will be amortised through the profit and loss account over the acquisition's useful economic life. Goodwill is amortised over three to fifteen years, reflecting the directors' estimate of the useful economic life of each acquisition. Where it is not possible to estimate the useful economic life the intangible is amortised over a period of 10 years.

Upon the first time adoption of FRS102 the group elected not to apply the provisions of Section 19 to business combinations that were effected before the date of transition of 1 October 2015.

Intangible Fixed Assets

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives on the following basis:

| | |
|-------------------------|---------------|
| Goodwill | 5 to 15 years |
| Vessel design portfolio | 15 years |

Research and development expenditure

Expenditure on research and development is written off against profits as it is incurred.

Government grants

Government grants relating to research and development are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. They are credited to the statement of comprehensive income in the period to which they relate.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost of each asset to its estimated residual value evenly over its expected useful life to the business, as follows:

| | |
|--|----------------|
| Freehold buildings and leasehold property/improvements | 20 to 50 years |
| Test facilities | 10 to 30 years |
| Computers and instruments | 3 to 5 years |
| Motor vehicles | 4 to 10 years |
| Demonstration computer equipment | 1 to 2 years |
| Scientific equipment used in harsh environments | 3 years |
| Other equipment | 4 to 10 years |

NOTES TO THE ACCOUNTS

Revaluation of properties

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity, such gains and loss are recognised in profit or loss.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses except for goodwill. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Investment Properties

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

Revenue recognition

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

NOTES TO THE ACCOUNTS

Revenue recognition (continued)

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

Sale of professional services

Turnover from contracts for the provision of professional consulting services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered.

Software

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of software are recognised when goods are delivered and legal title has passed and the Group has no continuing managerial involvement associated with ownership or effective control of the goods sold. This is generally when goods have been checked and accepted by the customer on delivery at the specified location.

Taxation

Current tax, including UK corporation tax and foreign 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 taxation is provided in full on timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that would apply to the sale of the asset or property.

NOTES TO THE ACCOUNTS

Taxation (continued)

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally and enforceable right to set off the amounts and the entity intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

A deferred tax asset is only recognised when it is more likely than not that it will be recoverable in the foreseeable future. Deferred tax assets and liabilities recognised have not been discounted.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases, net of any lease incentives.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

Retirement Benefits

Defined benefits plan

The group operates three defined benefit schemes that are established in accordance with local conditions and practices within the United Kingdom and the United States of America (which were closed to future accrual with effect from January 2011 and November 2001 respectively).

NOTES TO THE ACCOUNTS

Retirement Benefits (continued)

Net interest on the net defined benefit liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations. The net interest is recognised in the profit and loss account.

Gains and losses arising from changes in actuarial assumptions and the difference between the interest income on the plan assets and the return on the plan assets are recognised in other comprehensive income.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee-administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected credit unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

Contribution to the scheme are divided across the relevant group companies based on the actuarial proportion of the deferred pensioners.

Defined contribution plans

The costs of defined contribution schemes are charged to the profit and loss account in the year in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

The Group has created a provision for legacy liabilities resulting from certain employees of the Company, prior to privatisation in 1985, not otherwise mitigated through insurance.

BMT Employee Benefit Trust (EBT)

The accounts of the EBT are not incorporated into the results of the Group and its asset is immaterial. It is administered by the Trustees and held separately and has not been used for payment of any employees' benefits.

Financial Instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 in full to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE ACCOUNTS

Financial Instruments (continued)

Basic Financial assets

Basic financial assets, which include trade and other receivables are initially recognised at transaction price including transaction costs and are subsequently carried at amortised cost less impairment losses using the effective interest method, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Investments

Investments are measured at fair value through the profit and loss account. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and intercompany loans are recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

Significant estimation and judgement is applied when determining the amounts of revenue recognised based upon the estimated cost to complete of a contract. Revenue is recognised to reflect the partial performance of contractual obligations. The amount recognised reflects any uncertainties as to the amount of revenue to be received.

Pension scheme liabilities

Significant impacts arise within the financial statements as a result of the changes in the assumptions in respect of the valuation of the pension scheme. In order to obtain a fair valuation, the Directors take advice from external actuaries as to the assumptions to be used taking account of market data and conditions at the year end.

The Directors also benchmark the estimates against those used by comparable schemes during the year.

NOTES TO THE ACCOUNTS

2. TURNOVER

Turnover is generated from the group's principal activity, being a multi-disciplinary engineering and technology consultancy, specialising in design, design support and risk and contract management across the defence, energy and environment and marine transport market sectors. This consultancy is supported by significant scientific research and development investment.

An analysis of turnover by geographical market is given below:

| | 2018 | 2017 |
|--------------------|----------------|----------------|
| | £'000 | £'000 |
| United Kingdom | 70,324 | 69,571 |
| Continental Europe | 15,533 | 14,185 |
| North America | 41,074 | 35,318 |
| Asia Pacific | 42,881 | 39,919 |
| Rest of the World | 5,869 | 13,359 |
| | <u>175,681</u> | <u>172,352</u> |

3. GROUP OPERATING COSTS

| | 2018 | 2017 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Raw materials and consumables | 45,120 | 39,718 |
| Staff costs (note 7) | 94,661 | 99,814 |
| Depreciation, amortisation & impairment of fixed assets | 3,292 | 3,697 |
| Other operating charges | 30,941 | 28,039 |
| Other operating income | (1,184) | (976) |
| | <u>172,830</u> | <u>170,292</u> |

4. OPERATING PROFIT

This is stated after charging/(crediting):

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Operating lease rentals receivable: | | |
| - buildings | (476) | (273) |
| Operating leases payable | 3,603 | 3,271 |
| Depreciation on owned assets | 2,832 | 2,708 |
| Loss on disposal of tangible fixed assets | 526 | 17 |
| Amortisation of intangible fixed assets | 64 | 128 |
| Amortisation of goodwill | 396 | 620 |
| Impairment of goodwill | - | 241 |
| Foreign exchange losses/(gains) | 6 | (843) |
| | <u>6</u> | <u>(843)</u> |

NOTES TO THE ACCOUNTS

5. AUDITORS' REMUNERATION

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Audit services: | | |
| Statutory audit | 135 | 120 |
| Tax services: | | |
| Compliance | 58 | 57 |
| Advisory services | 39 | 28 |
| Other services: | | |
| Auditing of accounts of operating companies | 103 | 95 |
| Auditing of accounts of operating companies by auditor's associates | 10 | 47 |
| Other services not covered by the above | 8 | 7 |
| | <u> </u> | <u> </u> |

6. DIRECTORS' REMUNERATION

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | £'000 | £'000 |
| Emoluments (excluding pension contributions) | 1,118 | 1,101 |
| Employer defined contribution pension | 16 | - |
| Highest paid director: | | |
| Aggregate emoluments | 436 | 389 |
| Defined contribution scheme: | | |
| Employer contributions | - | - |
| Defined benefit pension scheme: | | |
| Accrued pension at end of year | - | 146 |
| Accrued lump sum at end of year | - | 438 |
| | <u> </u> | <u> </u> |

There are no directors for whom retirement benefits are accruing under defined benefit pension schemes, due to closure to future accrual of the UK Scheme on 31 January 2011. Retirement benefits are accruing to one director under a defined contribution scheme.

7. STAFF COSTS

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| <i>Group</i> | £'000 | £'000 |
| Wages and salaries | 79,084 | 83,005 |
| Social security costs | 6,905 | 7,071 |
| Pension and post retirement costs | 8,672 | 9,738 |
| | <u> </u> | <u> </u> |
| BMT profit sharing schemes | 94,661 | 99,814 |
| | 700 | - |
| | <u> </u> | <u> </u> |
| Total staff costs | 95,361 | 99,814 |
| | <u> </u> | <u> </u> |

NOTES TO THE ACCOUNTS

7. STAFF COSTS (continued)

| | 2018 | 2017 |
|-----------------------------------|---------------------|---------------------|
| <i>Company</i> | £'000 | £'000 |
| Wages and salaries | 5,377 | 4,110 |
| Social security costs | 727 | 558 |
| Pension and post retirement costs | 579 | 500 |
| | <u>6,683</u> | <u>5,168</u> |
| BMT profit sharing schemes | - | - |
| | <u>6,683</u> | <u>5,168</u> |
| Total staff costs | <u><u>6,683</u></u> | <u><u>5,168</u></u> |

8. EMPLOYEE NUMBERS (HEADCOUNT)

The average monthly number of employees during the year was made up as follows:

| | 2018 | 2017 |
|----------------------------|--------------|--------------|
| <i>Group</i> | No. | No. |
| Scientific and technical | 1,223 | 1,241 |
| Administrative and support | 381 | 376 |
| | <u>1,604</u> | <u>1,617</u> |
| <i>Company</i> | 2018 | 2017 |
| | No. | No. |
| Scientific and technical | 18 | 18 |
| Administrative and support | 64 | 56 |
| | <u>82</u> | <u>74</u> |

9. NET INTEREST PAYABLE

| | 2018 | 2017 |
|--|-------------------|---------------------|
| | £'000 | £'000 |
| Interest receivable: | | |
| Bank interest | 82 | 53 |
| Managed fund interest | 66 | 143 |
| | <u>148</u> | <u>196</u> |
| Interest payable: | | |
| Bank loans and overdrafts | 69 | 129 |
| Net interest on defined benefit pension liabilities | 909 | 1,156 |
| | <u>978</u> | <u>1,285</u> |
| Net interest payable | <u>830</u> | <u>1,089</u> |
| Net interest payable is summarised below: | | |
| Bank deposits less loans and overdrafts (net receivable) | (13) | 63 |
| Net interest on defined benefit pension liabilities | 909 | 1,169 |
| Managed fund interest | (66) | (143) |
| Net interest payable | <u><u>830</u></u> | <u><u>1,089</u></u> |

NOTES TO THE ACCOUNTS

10. TAXATION

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Current tax: | | |
| - UK corporation tax on results of period | 134 | 35 |
| - adjustments in respect of prior periods | 32 | 39 |
| - foreign tax | 426 | 418 |
| | <u>592</u> | <u>492</u> |
| Deferred tax: | | |
| - UK deferred tax | (256) | (100) |
| - overseas deferred tax | 518 | (73) |
| - pension scheme | 197 | 54 |
| | <u>459</u> | <u>(119)</u> |
| Total deferred tax | <u>459</u> | <u>(119)</u> |
| Tax on result | <u>1,051</u> | <u>373</u> |
| Factors affecting tax charge for the period: | | |
| The tax assessed for the period is higher than the effective rate of corporation tax in the UK 19% (2017: 19.5%) | | |
| Profit before tax | <u>1,304</u> | <u>913</u> |
| Profit at the effective rate of corporation tax in the UK of 19% (2017: 19.5%) | 248 | 178 |
| Effects of: | | |
| - items not deductible for tax purposes | 113 | 117 |
| - prior year adjustment | 32 | 39 |
| - capital allowances in excess of depreciation | (11) | 36 |
| - impact of tax losses | 363 | (60) |
| - unutilised tax losses | 139 | - |
| - adjustment in respect of overseas tax rates | 162 | 197 |
| - effect of changes in tax rates and laws | 353 | 8 |
| - other tax adjustments | (348) | (142) |
| Total tax charge for the period | <u>1,051</u> | <u>373</u> |

The corporation tax rate for the UK Company profits was 19% at the year end. The rate will reduce at 1 April 2020 to 17%. Deferred tax has been recognised at a rate of 17% (2017:17%), which is the rate that was substantively enacted at the year end.

NOTES TO THE ACCOUNTS

11. INTANGIBLE FIXED ASSETS

| | Goodwill £'000 | Vessel Design Portfolio £'000 | Total £'000 |
|---|-------------------|-------------------------------------|----------------|
| Cost: | | | |
| At 1 October 2017 | 13,230 | 1,920 | 15,150 |
| Additions | 246 | - | 246 |
| Elimination of fully amortised goodwill | (1,568) | - | (1,568) |
| Exchange differences | (208) | - | (208) |
| At 30 September 2018 | 11,700 | 1,920 | 13,620 |
| Amortisation: | | | |
| At 1 October 2017 | 12,284 | 1,856 | 14,140 |
| Provided during the year | 396 | 64 | 460 |
| Elimination of fully amortised goodwill | (1,568) | - | (1,568) |
| Exchange differences | (164) | - | (164) |
| At 30 September 2018 | 10,948 | 1,920 | 12,868 |
| Net book value: at 30 September 2018 | 752 | - | 752 |
| Net book value at 30 September 2017 | 946 | 64 | 1,010 |

12. TANGIBLE FIXED ASSETS

| Group | Freehold land and buildings £'000 | Long leasehold properties and improvements £'000 | Other equipment £'000 | Total £'000 |
|---|--|--|-----------------------------|----------------|
| Cost / valuation at: | | | | |
| 1 October 2017 | 8,184 | 5,398 | 24,459 | 38,041 |
| Additions | 21 | 682 | 1,984 | 2,687 |
| Revaluation | (751) | - | - | (751) |
| Disposals | (225) | (270) | (2,558) | (3,053) |
| Exchange differences | (38) | (45) | (335) | (418) |
| At 30 September 2018 | 7,191 | 5,765 | 23,550 | 36,506 |
| 1 October 2017 | 433 | 2,840 | 19,768 | 23,041 |
| Provided during the year | 93 | 785 | 1,954 | 2,832 |
| Revaluation | (226) | - | - | (226) |
| Disposals | - | (264) | (2,263) | (2,527) |
| Exchange differences | (3) | (38) | (247) | (288) |
| At 30 September 2018 | 297 | 3,323 | 19,212 | 22,832 |
| Net book value: At 30 September 2018 | 6,894 | 2,442 | 4,338 | 13,674 |
| At 30 September 2017 | 7,751 | 2,558 | 4,691 | 15,000 |

The historical cost of Freehold Land and Buildings is £5,321,000 (2017: £5,546,000).

NOTES TO THE ACCOUNTS

12. TANGIBLE FIXED ASSETS (continued)

Company

| | Investment properties at valuation £'000 | Freehold land and buildings £'000 | Long leasehold properties and improvements £'000 | Other equipment £'000 | Total £'000 |
|-----------------------------|--|--|--|-----------------------------|----------------|
| Cost/Valuation at: | | | | | |
| 1 October 2017 | 3,000 | 4,000 | 900 | 2,116 | 10,016 |
| Additions | - | - | - | 64 | 64 |
| Disposals | (225) | - | - | - | (225) |
| Revaluation | - | (750) | - | - | (750) |
| At 30 September 2018 | 2,775 | 3,250 | 900 | 2,180 | 9,105 |
| Depreciation: | | | | | |
| 1 October 2017 | - | 171 | 78 | 1,556 | 1,805 |
| Provided during the year | - | 55 | 25 | 183 | 263 |
| Revaluation | - | (226) | - | - | (226) |
| Impairment | - | - | - | 241 | 241 |
| At 30 September 2018 | - | - | 103 | 1,980 | 2,083 |
| Net book value: | | | | | |
| At 30 September 2018 | 2,775 | 3,250 | 797 | 200 | 7,022 |
| At 30 September 2017 | 3,000 | 3,829 | 822 | 560 | 8,211 |

The historical cost of the investment property was £2,095,000 (2017: £2,321,000). The fair value of investment properties is determined annually by the directors with reference to the Royal Institute of Chartered Surveyors (RICS) Red Book.

The historical cost of the freehold land and buildings was £2,113,000 (2017: £2,113,000).

NOTES TO THE ACCOUNTS

13. FIXED ASSET INVESTMENTS

Group

| | Managed Fund £'000 | Bank Deposits £'000 | Associates £'000 | Total £'000 |
|-----------------------------|--------------------------|------------------------|---------------------|----------------|
| Cost/Valuation: | | | | |
| 1 October 2017 | 5,452 | 150 | 5 | 5,607 |
| Additions | 67 | - | - | 67 |
| Disposals | (22) | (150) | (5) | (177) |
| Valuation changes | (17) | - | - | (17) |
| At 30 September 2018 | <u>5,480</u> | <u>-</u> | <u>-</u> | <u>5,480</u> |
| Net book value: | | | | |
| At 30 September 2018 | <u>5,480</u> | <u>-</u> | <u>-</u> | <u>5,480</u> |
| At 30 September 2017 | <u>5,452</u> | <u>150</u> | <u>5</u> | <u>5,607</u> |
| Historical cost: | | | | |
| At 30 September 2018 | <u>5,926</u> | | | |
| At 30 September 2017 | <u>5,881</u> | | | |

The managed fund represents one portfolio of readily marketable interest-bearing securities, which are held under management by Schroder & Co Limited (trading as Cazenove Capital). The funds were transferred from Brewin Dolphin Ltd.

The bank deposit of £150,000 which was secured on a deed of charge dated 20 February 1987, in favour of certain ex-civil servants employed within the group was satisfied on 21 September 2018.

NOTES TO THE ACCOUNTS

13. FIXED ASSET INVESTMENTS (Continued)

| Company | Managed Fund | Bank Deposits | Operating Company under- takings | Total |
|-----------------------------|-----------------|------------------|---|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost/Valuation: | | | | |
| At 1 October 2017 | 5,452 | 150 | 30,465 | 36,067 |
| Additions | 67 | - | 3,267 | 3,334 |
| Disposals | (22) | (150) | - | (172) |
| Valuation changes | (17) | - | - | (17) |
| At 30 September 2018 | <u>5,480</u> | <u>-</u> | <u>33,732</u> | <u>39,212</u> |
| Provisions: | | | | |
| 1 October 2017 | - | - | 11,896 | 11,896 |
| Charge for year | - | - | 3,707 | 3,707 |
| Disposals | - | - | - | - |
| At 30 September 2018 | <u>-</u> | <u>-</u> | <u>15,603</u> | <u>15,603</u> |
| Net book value: | | | | |
| At 30 September 2018 | <u>5,480</u> | <u>-</u> | <u>18,129</u> | <u>23,609</u> |
| At 30 September 2017 | <u>5,452</u> | <u>150</u> | <u>18,569</u> | <u>24,171</u> |
| Historical cost: | | | | |
| At 30 September 2018 | <u>5,926</u> | | | |
| At 30 September 2017 | <u>5,881</u> | | | |

The managed fund represents one portfolio of readily marketable interest-bearing securities, which are held under management by Schroder & Co Limited (trading as Cazenove Capital). The funds were transferred from Brewin Dolphin Ltd. The bank deposit of £150,000 which was secured on a deed of charge dated 20 February 1987, in favour of certain ex-civil servants employed within the group was satisfied on 21 September 2018. A listing of subsidiary and associated undertakings is set out in note 32.

NOTES TO THE ACCOUNTS

14. DEBTORS

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------|---------------|----------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 29,583 | 30,303 | 358 | 438 |
| Amounts owed by subsidiary undertakings | - | - | 5,111 | 7,372 |
| Amounts recoverable on contracts | 15,693 | 15,503 | 642 | 2 |
| Other debtors | 3,186 | 3,289 | 1,335 | 1,072 |
| Corporation tax | 843 | 908 | - | - |
| Prepayments and accrued income | 3,548 | 3,889 | 403 | 290 |
| | <u>52,853</u> | <u>53,892</u> | <u>7,849</u> | <u>9,174</u> |
| Amounts falling due after more than one year: | | | | |
| Amounts owed by subsidiary undertakings | - | - | 12,217 | 10,548 |
| Deferred tax asset | 8,971 | 8,861 | 6,339 | 5,370 |
| Prepayments and accrued income | 424 | 15 | - | - |
| | <u>9,395</u> | <u>8,876</u> | <u>18,556</u> | <u>15,918</u> |

15. CASH AND OVERDRAFTS - GROUP

| | 2018 £'000 | 2018 Change in year £'000 | 2017 £'000 | 2017 Change in year £'000 | 2016 £'000 | 2016 Change in year £'000 |
|-------------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|------------------------------------|
| Analysis of balances: | | | | | | |
| Current assets: | | | | | | |
| Cash at bank and in hand | 23,052 | (2,034) | 25,086 | 3,482 | 21,604 | (1,327) |
| Current liabilities: | | | | | | |
| Bank overdrafts | (498) | 3,656 | (4,154) | 312 | (4,466) | 117 |
| Net position at 30 September | <u>22,554</u> | <u>1,622</u> | <u>20,932</u> | <u>3,794</u> | <u>17,138</u> | <u>(1,210)</u> |
| <i>Sub-analysed as follows:</i> | | | | | | |
| Cash held for third parties | 383 | (245) | 628 | (495) | 1,123 | (2,884) |
| Group's own net cash | 22,171 | 1,867 | 20,304 | 4,289 | 16,015 | 1,674 |
| Net position at 30 September | <u>22,554</u> | <u>1,622</u> | <u>20,932</u> | <u>3,794</u> | <u>17,138</u> | <u>(1,210)</u> |

Cash held for third parties relates to cash collected on projects awaiting distribution to third parties.

NOTES TO THE ACCOUNTS

16. CREDITORS: Amounts falling due within one year

| | Notes | Group | | Company | |
|---|-------|---------------|---------------|---------------|---------------|
| | | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Bank overdraft | 15 | 498 | 4,154 | - | - |
| Bank loans | | 62 | 975 | - | 966 |
| Income in advance | | 12,228 | 8,384 | 1,620 | 2,275 |
| Trade creditors | | 8,023 | 8,066 | 576 | 617 |
| Amounts owed to subsidiary undertakings | | - | - | 1,053 | 2,645 |
| Corporation tax | | 107 | 129 | - | - |
| Other taxation and social security | | 3,137 | 3,343 | 1,149 | 1,130 |
| Other creditors | | 3,614 | 4,542 | 435 | 664 |
| Accruals and deferred income | | 11,565 | 13,009 | 1,359 | 1,054 |
| | | <u>39,234</u> | <u>42,602</u> | <u>6,192</u> | <u>9,351</u> |

Bank overdrafts are secured over the assets of the companies in which they relate.

17. CREDITORS: Amounts falling due after more than one year

| | Group | | Company | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Bank loans | 36 | 166 | - | - |
| Other creditors | 2,187 | 2,292 | - | - |
| | <u>2,223</u> | <u>2,458</u> | <u>-</u> | <u>-</u> |

Bank loans are secured over the assets of a subsidiary company.

18. FINANCIAL INSTRUMENTS

The carrying amount of the group and company's financial instruments at 30 September 2018 were:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Financial assets: | | | | |
| Debt instruments measured at amortised cost | 48,489 | 49,345 | 19,593 | 19,582 |
| Equity instruments measured at amortised cost less impairment | - | 5 | 18,628 | 18,569 |
| Instruments measured at fair value through profit or loss | 5,480 | 5,452 | 5,479 | 5,452 |
| Total | <u>53,969</u> | <u>54,702</u> | <u>43,700</u> | <u>43,603</u> |

NOTES TO THE ACCOUNTS

18. FINANCIAL INSTRUMENTS (Continued)

The carrying amount of the group and company's financial instruments at 30 September 2018 were:

| | <i>Group</i> | | <i>Company</i> | |
|-----------------------|---------------|---------------|----------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Financial liabilities | 25,285 | 33,204 | 3,423 | 5,946 |

19. PROVISIONS FOR LIABILITIES AND CHARGES

| | Onerous Leases Contracts £'000 | Legacy Claims £'000 | Total £'000 |
|-----------------------------|---|---------------------------|------------------------------------|
| Group | | | |
| At 1 October 2017 | 589 | 660 | 1,249 |
| Transfer to profit and loss | 271 | - | 271 |
| Paid | (323) | - | (323) |
| At 30 September 2018 | 537 | 660 | 1,197 |
| | | | Legacy Claims £'000 |
| Company | | | |
| At 1 October 2017 | | | 660 |
| Transfer to profit and loss | | | - |
| Paid | | | - |
| At 30 September 2018 | | | 660 |

The legacy claims are in relation to former employees and are associated with assets and liabilities that were transferred when BMT Group Ltd (formerly British Maritime Technology Ltd) was privatised in 1985. It is expected that payment for these claims will be expended in full, on, or before, December 2045.

Onerous lease contracts

The onerous lease provision relates to rentals due on the group leased properties which are no longer occupied by the group and where there are no reasonable prospects of sub-letting the space.

NOTES TO THE ACCOUNTS

19. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

| <i>Deferred Taxation</i> | 2018 £'000 | 2017 £'000 |
|--|-----------------------------|-----------------------------|
| Group | | |
| At 1 October | 8,861 | 11,533 |
| Transfer from profit and loss | (459) | 173 |
| Exchange differences | - | 8 |
| Transfer from other comprehensive income | 569 | (2,853) |
| At 30 September | <u>8,971</u> | <u>8,861</u> |

| The deferred tax asset of the group comprises: | 2018 £'000 | 2017 £'000 |
|--|-----------------------------|-----------------------------|
| - tax losses | 1,498 | 1,139 |
| - short-term timing differences | 1,137 | 1,746 |
| - defined benefit pension scheme | 6,148 | 5,777 |
| - capital allowances in excess of depreciation | 188 | 199 |
| | <u>8,971</u> | <u>8,861</u> |

| <i>Company</i> | 2018 £'000 | 2017 £'000 |
|--|-----------------------------|-----------------------------|
| At 1 October | 5,370 | 8,102 |
| Transfer from profit and loss | 146 | 130 |
| Transfer from other comprehensive income | 823 | (2,862) |
| At 30 September | <u>6,339</u> | <u>5,370</u> |

| The deferred tax asset of the company comprises: | 2018 £'000 | 2017 £'000 |
|--|-----------------------------|-----------------------------|
| - tax losses | 320 | 130 |
| - short-term timing differences | 119 | - |
| - defined benefit pension scheme | 5,900 | 5,240 |
| - capital allowances in excess of depreciation | - | - |
| At 30 September | <u>6,339</u> | <u>5,370</u> |

The timing of the reversal of deferred tax provision is uncertain as it depends on future profitability and reversal of deferred tax liabilities.

NOTES TO THE ACCOUNTS

20. PENSION LIABILITIES

Group

The group participates in two defined benefit schemes: one in the United Kingdom and one in the United States of America, both of which are now closed. The net pension liability is made up as follows:

BMT UK & US SCHEMES

| | 2018 £'000 | 2017 £'000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Present value of funded obligations | (156,568) | (148,578) |
| Fair value of plan assets | <u>120,680</u> | <u>116,174</u> |
| Present value of unfunded obligations | (35,888) | (32,404) |
| Related deferred tax assets (note 19) | <u>6,148</u> | <u>5,777</u> |
| Net pension liability | <u><u>(29,740)</u></u> | <u><u>(26,627)</u></u> |

Company

The company participates in the United Kingdom defined benefit scheme and recognised the pension liability in respect of the scheme in its statement of financial position.

| | 2018 £'000 | 2017 £'000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Present value of funded obligations | (147,829) | (140,210) |
| Fair value of plan assets | <u>113,123</u> | <u>109,384</u> |
| Present value of unfunded obligations | (34,706) | (30,826) |
| Related deferred tax assets (note 19) | <u>5,900</u> | <u>5,240</u> |
| Net pension liability | <u><u>(28,806)</u></u> | <u><u>(25,586)</u></u> |

Detailed disclosures on all pension commitments are provided in note 26.

21. RESERVES

Fixed asset reserve

The cumulative revaluation gains and losses in respect of fixed assets and transfers of depreciation charges recognised in profit and loss, except revaluation gains and losses recognised in profit and loss.

Transfers between the fixed asset reserve and the profit and loss account reserve are the difference between depreciation on historical cost and the accelerated depreciation rate charged following the fair value adjustment.

NOTES TO THE ACCOUNTS

21. RESERVES (Continued)

Investment properties

The cumulative revaluation gains and losses in respect of investment properties transfers following initial recognition in profit and loss.

Profit and loss account reserve

Cumulative profit and loss net of distributions to owners.

Pension reserve

The cumulative actuarial gains and losses on the defined benefit schemes and transfers of net expenses following initial recognition in the profit and loss.

22. SHARE CAPITAL

The company is limited by guarantee without share capital.

23. ACQUISITIONS

In June 2018 the group acquired the business of Overtoom Brand Expertise, in the Netherlands, for consideration of £246,000.

| | Book Value £'000 | Adjustments £'000 | Fair Value £'000 |
|-------------------------------|---------------------|----------------------|---------------------|
| Tangible fixed assets | 27 | (27) | - |
| Intangible fixed assets | 89 | (89) | - |
| Total identifiable net assets | <u>116</u> | <u>(116)</u> | - |
| Goodwill | | | <u>246</u> |
| Total consideration | | | <u>246</u> |

The consideration was satisfied by:

| | £'000 |
|------------------------|------------|
| Cash | 112 |
| Deferred consideration | 134 |
| | <u>246</u> |

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive statement of comprehensive income since acquisition was £nil.

NOTES TO THE ACCOUNTS

23. ACQUISITIONS (Continued)

On 2 July 2018 the group acquired 100 percent of the issued capital of Effectiva Pty Limited, in Australia, for consideration of £181,000.

| | Book Value | Adjustments | Fair Value |
|------------------------------------|------------|-------------|------------|
| | £'000 | £'000 | £'000 |
| Trade debtors | 84 | - | 84 |
| Other debtors | 30 | - | 30 |
| Trade creditors | (1) | - | (1) |
| Corporation tax | (58) | - | (58) |
| Other taxation and social security | (28) | - | (28) |
| Cash and cash equivalents | 158 | - | 158 |
| Accruals | (4) | - | (4) |
| Total identifiable net assets | <u>181</u> | - | 181 |
| Goodwill | | | <u>-</u> |
| Total consideration | | | <u>181</u> |

The consideration was satisfied by:

| | £'000 |
|------|------------|
| Cash | <u>181</u> |

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive statement of comprehensive income since acquisition was £nil.

24. CONSTITUTION AND CONTROL

In accordance with the company's Memorandum and Articles of Association, any surplus assets up to £30m, plus indexation based on Retail Price Index (RPI) from September 1998 - £51.9m at 30 September 2018 (2017: £50.8m) - on a winding up, must first be paid to such university or universities in the United Kingdom or, failing that, such charitable institutions as the Trustees may determine. Any remaining assets will be paid to the beneficiaries of the Employee Benefit Trust (EBT). No member shall have any entitlement to share in the profits or surplus assets of the Company.

NOTES TO THE ACCOUNTS

24. CONSTITUTION AND CONTROL (Continued)

Within BMT Group Ltd there are two classes of member with the following rights:

| Type of Member | Number of votes | Interest |
|--------------------|-----------------|----------------------------------|
| Trustee of the EBT | 1 vote each | Equity on behalf of the EBT only |
| Honorary | None | Non-equity |

The company is under the ultimate control of the Trustees of the Employee Benefit Trust, which exists to provide beneficial ownership for all employees.

The honorary members, who number twenty, comprise commercial companies, universities, research associations and charities.

25. LEASING COMMITMENTS

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

| | Land and Buildings | | Other | |
|--|--------------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Group | | | | |
| Operating leases which expire: | | | | |
| - within one year | 4,106 | 4,277 | 463 | 525 |
| - in the second to fifth years inclusive | 8,641 | 10,420 | 570 | 679 |
| - after five years | 1,976 | 1,661 | - | - |
| | <u>14,723</u> | <u>16,358</u> | <u>1,033</u> | <u>1,204</u> |
| Company | | | | |
| Operating leases which expire: | | | | |
| - within one year | 420 | 145 | - | - |
| - in the second to fifth years inclusive | 1,675 | 581 | - | - |
| - after five years | 1,808 | 581 | - | - |
| | <u>3,903</u> | <u>1,307</u> | <u>-</u> | <u>-</u> |

26. PENSION COMMITMENTS

The group operates a number of pension schemes throughout the world, the most significant of which is the BMT Defined Benefit Pension and Life Assurance Scheme ("The BMT UK Scheme").

Contributions to defined benefit schemes are based on advice from independent actuaries using actuarial methods, the objective of which is to provide adequate funds to meet pension liabilities as they fall due.

A summary of the defined benefit schemes is as follows:

BMT UK Scheme

This scheme was closed to future accrual on 31 January 2011. The date of the last actuarial valuation was 5 April 2015.

BMT US Scheme

This scheme was closed to future accrual on 1 November 2001. The latest actuarial valuation was carried out as at 1 January 2015.

NOTES TO THE ACCOUNTS

26. PENSION COMMITMENTS (Continued)

| Principal assumptions | BMT UK Scheme | | BMT US Scheme | |
|--|---------------|-----------|---------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Rate of increase in pensions payment | 2.25-3.7% | 2.2-3.71% | 0.0% | 0.0% |
| Discount rate | 2.95% | 2.9% | 4.00% | 3.75% |
| Inflation assumption – RPI | 3.4% | 3.4% | 0.0% | 0.0% |
| Inflation assumption – CPI | 2.4% | 2.4% | 0.0% | 0.0% |
| Rate of increase to deferred pensions | 2.4-3.4% | 2.4-3.4% | 0.0% | 0.0% |
| | | | 2018 | 2017 |
| | | | Years | Years |
| The average life expectancy for a pensioner retiring at 65 on the reporting date is: | | | | |
| Male | | | 86.9 | 87.1 |
| Female | | | 88.9 | 88.9 |
| The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is: | | | | |
| Male | | | 88.3 | 88.3 |
| Female | | | 90.4 | 90.5 |

BMT UK & US Schemes

Amounts recognised in profit or loss in respect of the defined benefit schemes are as follows:

| | 2018 | 2017 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Net interest on the net defined benefit pension liability | 909 | 1,156 |
| Administration expenses | 599 | 493 |
| | <u>1,508</u> | <u>1,649</u> |
| | 2018 | 2017 |
| | £'000 | £'000 |
| <u>Changes in the present value of the defined benefit obligation</u> | | |
| Opening defined benefit obligation | 148,578 | 163,775 |
| Interest cost | 4,300 | 4,187 |
| Benefits paid | (5,152) | (6,207) |
| Actuarial losses / (gains) | 8,597 | (12,914) |
| Exchange rate movements | 245 | (263) |
| Closing defined benefit obligation | <u>156,568</u> | <u>148,578</u> |
| | 2018 | 2017 |
| | £'000 | £'000 |
| <u>Changes in the fair value of plan assets</u> | | |
| Opening plan assets | 116,174 | 113,879 |
| Interest income | 3,391 | 3,031 |
| Administrative expenses | (599) | (494) |
| Return on plan assets excluding amount included in net interest expense | 4,024 | 3,828 |
| Contributions by employers | 2,631 | 2,460 |
| Benefits paid | (5,153) | (6,207) |
| Exchange differences on foreign plans | 212 | (323) |
| Closing plan assets | <u>120,680</u> | <u>116,174</u> |

The actual return on plan assets was a profit of £7,415,000 (2017: £6,195,000).

NOTES TO THE ACCOUNTS

26. PENSION COMMITMENTS (Continued)

| BMT UK & US SCHEMES | 2018 £'000 | 2017 £'000 |
|--|-----------------------|-----------------------|
| Present value of funded obligations | (156,568) | (148,578) |
| Fair value of plan assets | <u>120,680</u> | <u>116,174</u> |
| Present value of unfunded obligations | (35,888) | (32,404) |
| Related deferred tax asset | <u>6,148</u> | <u>5,777</u> |
| Net pension liability | <u>(29,740)</u> | <u>(26,627)</u> |
| | 2018 £'000 | 2017 £'000 |
| <i>Major categories of plan assets</i> | | |
| Global equities | 19,763 | 19,833 |
| Corporates | 2,206 | 1,474 |
| Liability driven investments | 12,455 | 10,361 |
| Alternative assets | 80,790 | 82,157 |
| Annuities | 3,713 | 1,400 |
| Cash | <u>1,753</u> | <u>949</u> |
| | <u>120,680</u> | <u>116,174</u> |

Defined Contribution Scheme

The group operates a mixture of state and private defined contribution schemes. Contributions to these schemes during the year amounted to £8,672,000 (2017: £7,478,000).

27. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

At the year end the group and company had capital commitments relating to the acquisition of software licences amounting to £1,082,000 (2017: £nil).

NOTES TO THE ACCOUNTS

28. RELATED PARTY TRANSACTIONS

Transactions with subsidiary companies, where 100% of the voting rights of the subsidiary are controlled within the group have been eliminated on consolidated in the group accounts. At 30 September 2018 the group was owed £668k (2017: £821k) by an associated company, which had been fully provided against in previous years due to the uncertainty of the timing of its recoverability.

During the year-ended 30 September 2018 the group made sales to subsidiaries not wholly owned of £1,611k (2017: £nil) and purchases of £94k (2017: £nil) to the same subsidiary.

At 30 September 2018 the group and company was owed £30k (2017: £240k) by subsidiaries not wholly owned.

29. KEY MANAGEMENT PERSONNEL

The total remuneration of the directors, who are considered to be the key management personnel of the Group, was £1.3m (2017: £1.2m).

30. CONTINGENT LIABILITIES

The company has provided a guarantee to Barclays Bank plc in respect of overdraft facilities granted to certain UK subsidiary undertakings. The amount guaranteed, as at 30 September 2018, is £6.3m (2017: £4.0m). The guarantee is unsecured and not expected to be called in the foreseeable future.

31. POST BALANCE SHEET EVENTS

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits which has implications for most defined benefit pension scheme including those of the group.

In determining the increased liability at the year ended 30 September 2018 the directors have considered that there is an amendment to the existing plan as a result of the above ruling. Based upon advice from the schemes actuary, the director believe that the adjustment arising as a result of the amendment is between £400k - £600k. As the change is for an amendment to the plan, this has been treated as a non-adjusting post balance sheet event with no liability currently being recognised. The increase in the liability will be charged to the profit and loss account of BMT Group Limited for the year ended 30 September 2019.

NOTES TO THE ACCOUNTS

32. LISTING OF SUBSIDIARY & ASSOCIATED COMPANIES

The following listing of subsidiary and associated companies shows place of incorporation / registration and equity participation where not wholly owned:

| Name & Country of Incorporation | Nature of Business | Registered Address |
|--|---|--|
| Australia: | | |
| BMT Defence and Security Australia Pty Ltd (BMT Design & Technology Pty Ltd) | Services to the defence and maritime industries | Level 5, 99 King Street, Melbourne VIC, 3000 Australia |
| BMT Environment Pty Ltd | Dormant company | Level 8, 200 Creek Street, Brisbane QLD 4000 Australia |
| Hypersonix Pty Ltd | Dormant company | Level 8, 200 Creek Street, Brisbane QLD 4000 Australia |
| BMT JFA Consultants Pty Ltd | Coastal and maritime related engineering services | Level 4, 20 Parkland Road, Osborne Park WA 6017 Australia |
| BMT Maritime Consultants Pty Ltd | Environmental management services | 490 Upper Edward St, Spring Hill, QLD, 4000 Australia |
| BMT Western Australia Pty Ltd (BMT Oceanica Pty Ltd) | Environmental consultancy | Level 4, 20 Parkland Road, Osborne Park WA 6017 Australia |
| BMT Eastern Australia Pty Ltd (BMT WBM Pty Ltd) | Environmental and engineering consultancy | Level 8, 200 Creek Street, Brisbane QLD 4000 Australia |
| BMT Holdings (Australia) Pty Ltd | Intermediate holding company | Level 8, 200 Creek Street, Brisbane QLD 4000 Australia |
| WBM Pty Ltd | Dormant company | Level 8, 200 Creek Street, Brisbane QLD 4000 Australia |
| Effectiva Pty Ltd | Services to the defence and maritime industries | 1372 Minlaton Road, Ramsay, SA 5575 Australia |
| Belgium: | | |
| BMT Belgium NV | Marine surveying | Kapelsesteenweg 286, 2930 Brasschaat |
| BMT Surveys Risk and Quality (Antwerp) NV | Marine surveying | Kapelsesteenweg 286, 2930 Brasschaat |
| Brazil: | | |
| Navegação e Controle Industria e Comercio Ltda) | Marine and offshore equipment and consultancy | Rua Salviano José da Silva, 210- Eldorado, S.J. dos Campos-S, 12238-573 |
| BMT Scientific Marine Services Ltda | Marine and offshore equipment and consultancy | Avenida Rio Branco, No 89, 26th floor, Rio de Janeiro, Rio de Janeiro, 20040-004 |
| British Virgin Islands: | | |
| BMT Navcon Holdings Ltd | Intermediate holding company | 3rd Floor Omar Hodge Building, Wickhams Cay 1, PO Box 362, Road Town, Tortola |
| Canada: | | |
| BMT Canada Ltd (formerly BMT Fleet Technology Limited) | Defence services, engineering and materials consultancy | 311 Legget Drive, Kanata ON K2K 1Z8 |
| WBM Canada Consulting Engineers Ltd | Engineering and materials consultancy | 401 611 Alexander Street, Vancouver BC V6A 1E1 |
| England & Wales: active companies | | |
| BMT Asset Performance Ltd | Reliability, life cycle costing and safety services | * |
| BMT Cadence Ltd | Safety and environmental consultancy | * |
| BMT Defence and Security UK Ltd | Services to the defence industry | * |
| BMT UK 2 Ltd (formerly BMT Fluid Mechanics Limited) | Fluid and structural mechanics consultancy | * |
| BMT Hi-Q Sigma Ltd | Management consultancy | * |
| BMT International Ltd | Intermediate holding company | * |
| BMT Market Collections Ltd | Professional Fees collection agency serving insurance markets | * |
| BMT UK Ltd (formerly BMT Nigel Gee Limited) | Naval architecture and marine engineering | * |
| Lateral Naval Architects Limited | Naval architecture and marine engineering | * |
| BMT Nominees (Teddington) Ltd | Intermediate holding company | * |
| BMT Ship & Coastal Dynamics Ltd | Ship Performance and Metocean consultancy services | * |
| BMT SMART Ltd | Vessel performance and monitoring solutions | * |
| BMT Surveys (London) Ltd | Marine Surveying | * |
| BMT Surveys Risk & Quality (London) Ltd | Marine Surveying | * |
| BMT Surveys International Ltd | Intermediate holding company | * |
| BMT Titron (UK) Ltd (25%) | Ship Design | Ship Design Centre, 3 Hedley Court, Orion Way, Orion Business Park, North Shields, Tyne & Wear, NE29 7ST |
| BMT WBM Ltd | Environmental consultancy | * |

BMT Group Ltd
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| | | |
|---|---|---|
| England & Wales: dormant companies | | |
| Bertram Martin Consulting Ltd | Dormant company | * |
| BMT Aroqua Decommissioning Associates (50%) | Dormant company | * |
| BMT Commercial Shipping Ltd | Dormant company | * |
| BMT Defence Partners Ltd | Dormant company | * |
| BMT Edon Liddiard Vince Ltd | Dormant company | * |
| BMT Fleet Technology Ltd | Dormant company | * |
| BMT Ltd | Dormant company | * |
| BMT Marine Information Systems Ltd | Dormant company | * |
| BMT Marine Projects Ltd | Dormant company | * |
| BMT Murray Fenton Ltd | Dormant company | * |
| BMT Nominees Ltd | Dormant company | * |
| BMT Offshore Ltd | Dormant company | Messrs Aberdein Considine & Co, 8&9 Bon Accord Crescent, Aberdeen, Aberdeenshire, AB11 6DN |
| BMT Pension Trustee Ltd | Dormant company | * |
| BMT Property Management Ltd | Dormant company | * |
| BMT Renewables Ltd | Dormant company | * |
| BMT Services Ltd | Dormant company | * |
| BMT SHIPDESIGN LTD | Dormant company | * |
| BMT Sigma Ltd | Dormant company | * |
| BMT Spareco Ltd | Dormant company | * |
| BMT Transport Solutions Ltd | Dormant company | * |
| British Maritime Technology Ltd | Name protection | * |
| Marine Science & Technology Ltd | Dormant company | * |
| Murray Fenton Holdings Ltd | Dormant company | * |
| British Ship Research Association (unlimited company) | Dormant company | * |
| Hong Kong: | | |
| BMT Asia Environment Ltd | Environmental consultancy | 26/F, Pacific Plaza, 418 Des Voeux Road West, Hong Kong |
| BMT Hong Kong Ltd (formerly BMT Asia Pacific Ltd) | Maritime and risk consultancy | 26/F, Pacific Plaza, 418 Des Voeux Road West, Hong Kong |
| BMT Engineering International Ltd | Intermediate holding company | 22nd floor, Tai Yau Building, 181 Johnston Road, Wanchai |
| BMT Titron Holdings Ltd (25%) | Intermediate holding company | 26/F, Pacific Plaza, 418 Des Voeux Road West, Hong Kong |
| BMT Titron Marine Ltd (25%) | Ship design | 26/F, Pacific Plaza, 418 Des Voeux Road West, Hong Kong |
| India: | | |
| BMT Consultants (India) Pvt Ltd | Maritime consultancy | 310 Sarthik Square, SG Highway, Ahmedabad, 380054 |
| Indonesia: | | |
| PT BMT Asia Indonesia (PT BMT Asia Pacific Indonesia) (95%) | Environmental consultancy | Perkantoran Hijau Arkadia, Tower C, P Floor, Jl LetJen TB Simatupang Kav 88, Pasat Minggu, Jakarta, 12520 |
| Malaysia: | | |
| BMT Asia Sdn Bhd (97%) | Marine and offshore equipment and consultancy | Level 10, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250, Kuala Lumpur |
| Netherlands: | | |
| BMT ARGOSS BV | Earth observation consultancy | Spacelab 45, 3824 MR, Amersfoort |
| BMT ARGOSS Holding BV | Intermediate holding company | Sint Jansklooster, Brederwiede |
| BMT Netherlands BV | Marine Surveying | Guldenwaard 141, 3078 AJ, Rotterdam |
| BMT Surveys International BV | Intermediate holding company | Osdorper Ban 17 BC, 1068 LD, Amsterdam |
| Scotland: | | |
| BMT Cordah Ltd | Environmental consultancy | Broadfold House, Broadfold Road, Bridge of Don, Aberdeen, AB23 8EE |
| Singapore: | | |
| BMT Singapore Pte Ltd (BMT Asia Pacific Pte Ltd) | Maritime consultancy | 456 Alexandra Road, #15-01 Fragrance Empire Building, 119962 |
| United States of America: | | |
| BMT Designers & Planners Inc | Ship engineering and environmental services | 4401 Ford Avenue Suite 1000, Alexandria VA 22302 |
| BMT International Inc | Intermediate holding company | 4401 Ford Avenue Suite 1000, Alexandria VA 22302 |
| BMT Commercial USA Inc | Marine and offshore equipment and consultancy | 955 Borra Place, Suite 100, Escondido CA 92029 |
| Technology Financing Inc | Intermediate holding company | 4401 Ford Avenue Suite 1000, Alexandria VA 22302 |

* Goodrich House, 1 Waldegrave Road, Teddington, Middlesex, TW11 8LZ, United Kingdom