

# **BMT Group Ltd**

## **Report and Accounts 2009**

Company Number 1887373



**DIRECTORS**

C V Betts CB  
Dr N E Cross  
I R Davies  
P D French  
Mrs F A Heaton  
D K McSweeney  
Vice Admiral Sir Peter Woodhead KCB

**COMPANY SECRETARY**

G Turner

**AUDITORS**

Baker Tilly UK Audit LLP

**BANKERS**

Barclays Bank Plc  
HSBC Bank Plc

**SOLICITORS**

Freshfields Bruckhaus Deringer  
Stevens & Bolton LLP

**REGISTERED OFFICE**

Goodrich House  
1 Waldegrave Road  
Teddington  
Middlesex  
TW11 8LZ

| <b>CONTENTS</b>  | <b>PAGE</b> |
|--|-------------|
| Directors' report  | 3           |
| Directors' responsibilities in the preparation of the accounts | 8           |
| Independent auditors' report                                   | 9           |
| Consolidated profit and loss account                           | 10          |
| Consolidated statement of total recognised gains and losses    | 11          |
| Consolidated balance sheet                                     | 12          |
| Parent company balance sheet                                   | 13          |
| Consolidated statement of cash flows                           | 14          |
| Notes to the accounts  | 16          |

## DIRECTORS' REPORT

---

The directors submit their report and financial statements for BMT Group Limited, company registration number 1887373, and the group for the year ended 30 September 2009

The 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

## PRINCIPAL ACTIVITIES

BMT is 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.

The main activities of the group are largely undertaken in three market sectors, defence, energy and environment and maritime transport. The group operates through a network of offices around the world and currently employs approximately 1,300 permanent staff worldwide.

## FINANCIAL HIGHLIGHTS

| <b>Total Profit Reconciliation</b>                           | <b>2009</b>    | <b>2008</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Profit before distributions, tax and goodwill for the year   | 12,368         | 7,983          |
| Goodwill amortisation / impairment                           | (1,418)        | (1,269)        |
| Profit-related bonuses in year                               | (3,818)        | (2,994)        |
| BMT profit sharing scheme                                    | (1,500)        | (998)          |
| Minority interests   | (25)           | (2)            |
| Taxation   | <u>(2,193)</u> | <u>(1,561)</u> |
| Retained profit for the year                                 | <u>3,414</u>   | <u>1,159</u>   |
| <br><b>Key Performance Indicators</b>                        |                |                |
| Profit before distributions, tax and goodwill / turnover     | 8.7%           | 7.3%           |
| Turnover per employee  | £109,707       | £88,729        |
| Average bonus per employee                                   | £4,091         | £3,251         |
| <br>Per employee figures use the average number of employees | 1,300          | 1,228          |

## DIRECTORS' REPORT

---

### REVIEW OF THE BUSINESS

Despite the economic turmoil encountered around the world, the group has had an excellent year in all aspects of its global performance. The overseas results have been enhanced by stronger foreign exchange conversion rates this year which account for some of the increases in both turnover (7.9%) and operating profit (8.7%).

The business saw turnover increase by 30.9% (2008: 15.3%) as customers seeking specialist products and consultancy, design and project management skills continued to be attracted by BMT's independence and broad ranging expertise. A group turnover of £142.6 million (2008: £109.0 million) was achieved, mainly through organic growth with a relatively small amount from acquisitions.

The profit before distributions, tax and goodwill of the group, at £12.4m, was a margin on turnover of almost 9%, comparing very well with the figure of just over 7% in 2007/08.

As a consequence of the increased profitability, over £5m will be distributed to employees in two tranches in December 2009 and March 2010 through the two group-wide bonus schemes. This will result in an average bonus pay out of over £4,000 per employee (2008: £3,251).

Average staff numbers during the year were 1,300.

The group's strategy of maintaining a diversified portfolio of businesses by market and location has proved successful, and this was another year of strong performance. Underlying margins improved and were in line with the strategic targets set by the Board. This was achieved against a background of a very weak global economy.

BMT witnessed one of its lower levels of investment returns in 2009. Equity markets fell dramatically in the early stages of the year leading to a reduction in investment returns. The impact has been felt very hard in the group's various pension schemes where actual returns have fallen short of those expected and for which it had planned.

Despite confidence weakening in many markets following the global financial credit crisis, the overall outlook for BMT in the coming year remains fair as clients seek ideas and pragmatic strategies to help them meet their changing needs.

## DIRECTORS' REPORT

---

The directors during the year were

### Non-executive Directors

Dr N E Cross (Chairman)  
C V Betts CB  
I R Davies  
Mrs F A Heaton  
Vice Admiral Sir Peter Woodhead KCB (Deputy Chairman)

### Executive Directors

P D French (Chief Executive)  
D K McSweeney

## BMT EMPLOYEE BENEFIT TRUST

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

Vice Admiral Sir Peter Woodhead KCB (Chairman of the Trustees)  
C V Betts CB  
Dr N E Cross  
G W Morton (Independent Trustee)

Trustees and non-executive directors of the company cannot benefit from the BMT Employee Benefit Trust

## CORPORATE GOVERNANCE

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

## POLICY ON PAYMENT OF SUPPLIERS

It is BMT Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and to pay according to those terms based on the timely receipt of an accurate invoice.

## HEALTH & SAFETY

The group has a rigorous approach to health and safety and has policies and procedures in place in order to comply with both the requirements and spirit of all relevant legislation. Pro-active quarterly reporting is required at all board meetings and the director with responsibility for health and safety matters at board level is Mr D K McSweeney.

## EMPLOYEES

The company is in the ultimate control of the Trustees of the BMT Employee Benefit Trust, through which it is held in beneficial ownership for all employees. Regular publications are produced, informing staff of the performance of the business and other relevant matters.

The group gives proper consideration to applications for employment from disabled persons. Where an employee becomes disabled, the group endeavours to continue employment, provided there are duties the employee is capable of performing. In the UK, if this is not possible, the employee's earnings and pension contributions are normally protected by an insurance policy up to his or her normal retirement date and elsewhere arrangements follow local customs. Training, career development and promotion are available to disabled persons. Furthermore, when acquiring or modifying properties, the group endeavours to make the property accessible to individuals with a disability.

## DIRECTORS' REPORT

---

### RISK MANAGEMENT

The BMT risk management framework and its supporting systems of internal control are designed to provide an appropriate and effective framework for taking informed decisions about the risks that affect performance across all the group's activities including strategic, financial, operational and project risks

#### Principal risks

The principal risks facing the group are

- **Financial investment risk:** the board has established senior-level committees 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 managers. The board's strategy to maintain a balanced and diversified portfolio in order to provide sustainability has proven successful in the current global financial climate and will continue over the long-term
- **Credit and liquidity risk** the group's credit risk has hitherto been low, but the onset of the worldwide recession brought with it the heightened risk of business failures and bad debts, caused by a lack of credit and liquidity available in the economy. A review of this risk led to the enhancement of internal controls and cash management processes
- **Pension risk** the group runs a number of defined benefit schemes around the world and significant deficits are being encountered in all of them at this stage. The main risk facing all schemes is the continuance of the lower than expected yields on investments. A recovery plan has been implemented for the principal BMT scheme in the UK and a number of changes instigated. The possibility of implementing further changes to the scheme to mitigate the deficit is regularly reviewed by both the pension trustees and the employer
- **Commercial risk** corporate operating procedures dictate that standard terms and conditions are used wherever possible. All bids undergo a risk assessment and, when applicable, bids are elevated to major bid status and further evaluated at head office prior to contracts being signed. The group carefully evaluates the potential risk and benefits of entering into joint ventures and scrutinises all relevant contracts before a decision is taken
- **Recruitment and retention of key staff.** the group recognises that the people whom it employs are its most valuable resource. The skills needed in some of the group's businesses are in short supply and the group is in competition with many other organisations to attract and retain the services of the most talented. The group operates two profit sharing schemes to reward staff directly for their contribution and loyalty and benchmarks its performance against other companies in key areas such as salary, benefits, rewarding work and approach to social issues
- **Competitive environment:** the group monitors and benchmarks its strategic position, market developments and the activity of competitors and is aware that in the current financial climate the competitive environment will become more intense, it therefore undertakes strategic planning accordingly and rigorously tests strategic options prior to implementation

### CHARITABLE DONATIONS

During the year, the group made charitable donations of £9,000

DIRECTORS' REPORT

---

**AUDITORS AND STATEMENT OF DISCLOSURE**

The auditor, Baker Tilly UK Audit LLP, chartered accountants, has indicated its willingness to continue in office

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that 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 auditors.

By order of the Board



G Turner  
Secretary  
14 January 2010



## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE ACCOUNTS

---

The directors are responsible for preparing the Directors' Report and financial statements in accordance with application 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 company and the group 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 judgements and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT

---

We have audited the group and the parent company financial statements ("the financial statements") on pages 10 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept 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.

**BAKER TILLY UK AUDIT LLP**

Christopher Hurren (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
The Clock House  
140 London Road  
Guildford  
Surrey GU1 1UW

15 January 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT

|   | Notes    | Before<br>amortisation<br>of intangible<br>assets<br>2009<br>£000 | Amortisation<br>of intangible<br>assets<br>2009<br>£000 | Total<br>2009<br>£000 | Before<br>amortisation<br>of intangible<br>assets<br>2008<br>£000 | Amortisation<br>of intangible<br>assets<br>2008<br>£000 | Total<br>2008<br>£000 |
|---|----------|---|---|-----------------------|---|---|-----------------------|
| <b>TURNOVER</b>   | <b>2</b> | <b>142,619</b>  | <b>-</b>  | <b>142,619</b>        | <b>108,959</b>  | <b>-</b>  | <b>108,959</b>        |
| Costs less other income   | <b>3</b> | <b>(134,184)</b>  | <b>(1,418)</b>  | <b>(135,602)</b>      | <b>(105,199)</b>  | <b>(1,269)</b>  | <b>(106,468)</b>      |
| <b>Operating profit</b>   | <b>4</b> | <b>8,435</b>  | <b>(1,418)</b>  | <b>7,017</b>          | <b>3,760</b>  | <b>(1,269)</b>  | <b>2,491</b>          |
| Share of operating losses in joint venture                                      |          | <b>(175)</b>  | <b>-</b>  | <b>(175)</b>          | <b>(456)</b>  | <b>-</b>  | <b>(456)</b>          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>                            |          | <b>8,260</b>  | <b>(1,418)</b>  | <b>6,842</b>          | <b>3,304</b>  | <b>(1,269)</b>  | <b>2,035</b>          |
| Income from fixed asset investments   |          | <b>418</b>  | <b>-</b>  | <b>418</b>            | <b>1,289</b>  | <b>-</b>  | <b>1,289</b>          |
| Net interest (payable) / receivable   | <b>8</b> | <b>(128)</b>  | <b>-</b>  | <b>(128)</b>          | <b>396</b>  | <b>-</b>  | <b>396</b>            |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX &amp; BMT PROFIT SHARING SCHEME</b> |          | <b>8,550</b>  | <b>(1,418)</b>  | <b>7,132</b>          | <b>4,989</b>  | <b>(1,269)</b>  | <b>3,720</b>          |
| BMT profit sharing scheme   |          | <b>(1,500)</b>  | <b>-</b>  | <b>(1,500)</b>        | <b>(998)</b>  | <b>-</b>  | <b>(998)</b>          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>                                 |          | <b>7,050</b>  | <b>(1,418)</b>  | <b>5,632</b>          | <b>3,991</b>  | <b>(1,269)</b>  | <b>2,722</b>          |
| Tax on profit on ordinary activities  | <b>9</b> | <b>(2,193)</b>  | <b>-</b>  | <b>(2,193)</b>        | <b>(1,561)</b>  |   | <b>(1,561)</b>        |
| <b>PROFIT AFTER TAX</b>   |          | <b>4,857</b>  | <b>(1,418)</b>  | <b>3,439</b>          | <b>2,430</b>  | <b>(1,269)</b>  | <b>1,161</b>          |
| Attributable to minority interests  |          | <b>(25)</b>   | <b>-</b>  | <b>(25)</b>           | <b>(2)</b>  | <b>-</b>  | <b>(2)</b>            |
| <b>RETAINED PROFIT FOR THE YEAR</b>   |          | <b>4,832</b>  | <b>(1,418)</b>  | <b>3,414</b>          | <b>2,428</b>  | <b>(1,269)</b>  | <b>1,159</b>          |

All amounts relate to continuing activities

|  |                |                |
|--|----------------|----------------|
| <b>TOTAL PROFIT RECONCILIATION</b>                         | <b>2009</b>    | <b>2008</b>    |
|  | <b>£000</b>    | <b>£000</b>    |
| Profit before distributions, tax and goodwill for the year | <b>12,368</b>  | <b>7,983</b>   |
| Profit related bonuses included in operating costs         | <b>(3,818)</b> | <b>(2,994)</b> |
| Goodwill amortisation / impairment                         | <b>(1,418)</b> | <b>(1,269)</b> |
| BMT profit sharing scheme                                  | <b>(1,500)</b> | <b>(998)</b>   |
| Taxation   | <b>(2,193)</b> | <b>(1,561)</b> |
| Minority interests   | <b>(25)</b>    | <b>(2)</b>     |
| Retained profit for the year                               | <b>3,414</b>   | <b>1,159</b>   |

The total profit reconciliation note above does not form part of the statutory financial statements

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|  | 2009<br>£000    | 2008<br>£000 |
|--|-----------------|--------------|
| Retained profit for the year   |                 |              |
| Group  | 3,589           | 1,615        |
| Share of joint venture   | (175)           | (456)        |
|  | <u>3,414</u>    | <u>1,159</u> |
| Actual return less expected return of assets                             | (4,277)         | (11,566)     |
| Experience gains and losses on liabilities                               | (28,497)        | 17,390       |
| Movement on deferred tax relating to actuarial (gain) / loss on pensions | 9,193           | (1,826)      |
| Exchange loss on foreign pensions  | (154)           | (112)        |
| <i>Movement on pension schemes</i>                                       | <i>(23,735)</i> | <i>3,886</i> |
| Net exchange gain on foreign equity investments                          | 1,652           | 685          |
| Total recognised gains less losses relating to the year                  | <u>(18,669)</u> | <u>5,730</u> |

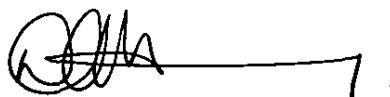
CONSOLIDATED BALANCE SHEET

|   | Notes | 2009<br>£000  | 2008<br>£000  |
|---|-------|---------------|---------------|
| <b>FIXED ASSETS</b>   |       |               |               |
| Goodwill  | 10    | 7,146         | 6,934         |
| Other intangible assets                                       | 10    | 1,088         | 1,216         |
| Tangible assets   | 11    | 10,909        | 9,710         |
| Investments   | 12    | 15,109        | 15,349        |
| Share of net assets in joint venture                          |       | 97            | 121           |
| Share of net liabilities in joint venture                     |       | (92)          | (55)          |
| Net Investment in joint venture                               | 12    | 5             | 66            |
| Investments in associates                                     | 12    | 132           | 108           |
|   |       | <u>34,389</u> | <u>33,383</u> |
| <b>CURRENT ASSETS</b>   |       |               |               |
| Debtors   |       |               |               |
| Amounts falling due within one year                           | 13    | 46,576        | 43,568        |
| Amounts falling due after one year                            | 13    | 1,940         | 1,301         |
| Cash at bank and in hand                                      |       | 23,064        | 11,602        |
|   |       | <u>71,580</u> | <u>56,471</u> |
| <b>CREDITORS</b> Amounts falling due within one year          | 15    | <u>50,767</u> | <u>37,681</u> |
| <b>NET CURRENT ASSETS</b>                                     |       | <u>20,813</u> | <u>18,790</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                  |       | <u>55,202</u> | <u>52,173</u> |
| <b>CREDITORS</b> Amounts falling due after more than one year | 16    | <u>600</u>    | <u>716</u>    |
| <b>TOTAL NET ASSETS EXCLUDING PENSION LIABILITY</b>           |       | <u>54,602</u> | <u>51,457</u> |
| Pension liability   | 25    | <u>24,006</u> | <u>2,239</u>  |
| <b>TOTAL NET ASSETS INCLUDING PENSION LIABILITY</b>           |       | <u>30,596</u> | <u>49,218</u> |
| <b>CAPITAL AND RESERVES</b>                                   |       |               |               |
| Profit and loss account                                       | 20    | 54,477        | 51,379        |
| Pension reserve   | 20    | (24,006)      | (2,239)       |
| <b>TOTAL FUNDS</b>  | 21    | <u>30,471</u> | <u>49,140</u> |
| Attributable to minority interests                            |       | 125           | 78            |
| <b>TOTAL CAPITAL EMPLOYED</b>                                 |       | <u>30,596</u> | <u>49,218</u> |

The accounts on pages 10 to 36 were approved by the Board of Directors and authorised for issue on 14 January 2010 and are signed on its behalf by



P D French  
Director

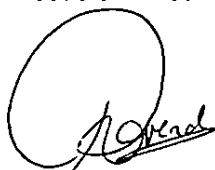


D K McSweeney  
Director

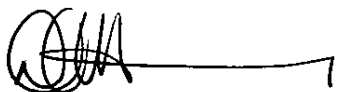
PARENT COMPANY BALANCE SHEET

|   | Notes | 2009<br>£000  | 2008<br>£000  |
|---|-------|---------------|---------------|
| <b>FIXED ASSETS</b>   |       |               |               |
| Tangible assets   | 11    | 4,539         | 4,644         |
| Investments   | 12    | 46,156        | 42,305        |
|   |       | <u>50,695</u> | <u>46,949</u> |
| <b>CURRENT ASSETS</b>   |       |               |               |
| Debtors   |       |               |               |
| Amounts falling due within one year                           | 13    | 5,028         | 3,280         |
| Amounts falling due after one year                            | 13    | 5,937         | 5,454         |
| Cash at bank and in hand                                      |       | 6,427         | 1,202         |
|   |       | <u>17,392</u> | <u>9,936</u>  |
| <b>CREDITORS</b> Amounts falling due within one year          | 15    | <u>14,414</u> | <u>8,476</u>  |
| <b>NET CURRENT ASSETS</b>                                     |       | <u>2,978</u>  | <u>1,460</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                  |       | <b>53,673</b> | <b>48,409</b> |
| <b>CREDITORS</b> Amounts falling due after more than one year | 16    | -             | 477           |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                 | 18    | -             | 275           |
|   |       | <u>53,673</u> | <u>47,657</u> |
| <b>NET ASSETS</b>   |       | <b>53,673</b> | <b>47,657</b> |
| <b>CAPITAL AND RESERVES</b>                                   |       |               |               |
| Profit and loss account                                       | 20    | 53,673        | 47,657        |
| <b>TOTAL FUNDS</b>  |       | <u>53,673</u> | <u>47,657</u> |

The accounts on pages 10 to 36 were approved by the Board of Directors and authorised for issue on 14 January 2010 and are signed on its behalf by



P D French  
Director



D K McSweeney  
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

|   | 2009<br>£000         | 2008<br>£000        |
|---|----------------------|---------------------|
| <b>NET CASH INFLOW<br/>FROM OPERATING ACTIVITIES</b>                    |                      |                     |
| Reconciliation to operating profit on page 15                           | <u>15,618</u>        | <u>(3,905)</u>      |
| <b>RETURNS ON INVESTMENTS AND SERVICING<br/>OF FINANCE</b>              |                      |                     |
| Interest and similar income received                                    | 122                  | 181                 |
| Interest paid   | (150)                | (162)               |
| Interest paid on finance leases   | (4)                  | (5)                 |
| Fixed asset investment income received                                  | 418                  | 1,287               |
|   | <u>386</u>           | <u>1,301</u>        |
| <b>TAXATION</b>   |                      |                     |
| Corporation tax paid  | <u>(1,034)</u>       | <u>(834)</u>        |
| <b>CAPITAL EXPENDITURE &amp; FINANCIAL INVESTMENT</b>                   |                      |                     |
| Payments to acquire tangible fixed assets                               | (2,282)              | (1,885)             |
| Proceeds on disposal of fixed assets                                    | 27                   | -                   |
| Transfer from managed funds   | 240                  | 10,509              |
|   | <u>(2,015)</u>       | <u>8,624</u>        |
| <b>ACQUISITIONS AND DISPOSALS</b>                                       |                      |                     |
| Purchase of shares in subsidiary undertakings                           | (705)                | (4,972)             |
| Cash acquired with subsidiary undertakings                              | -                    | 1,767               |
|   | <u>(705)</u>         | <u>(3,205)</u>      |
| <b>BMT PROFIT SHARING SCHEME PAYMENT</b>                                | <u>-</u>             | <u>(998)</u>        |
| <b>NET CASH INFLOW BEFORE USE OF<br/>LIQUID RESOURCES AND FINANCING</b> | <b>12,250</b>        | <b>983</b>          |
| <b>FINANCING</b>  |                      |                     |
| Repayments of capital element of finance lease rentals                  | (39)                 | (22)                |
| Repayment of short term loan  | (815)                | (684)               |
| New loans taken out during the year                                     | 900                  | 800                 |
| <b>NET CASH INFLOW FROM FINANCING</b>                                   | <u>46</u>            | <u>94</u>           |
| <b>INCREASE IN CASH</b>   | <u><b>12,296</b></u> | <u><b>1,077</b></u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

|  | 2009<br>£000  | 2008<br>£000   |
|--|---------------|----------------|
| <b>RECONCILIATION OF OPERATING RESULT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b> |               |                |
| Group operating profit   | 7,017         | 2,491          |
| Depreciation   | 1,967         | 1,668          |
| Amortisation of design portfolio   | 128           | 127            |
| Amortisation of goodwill   | 1,290         | 1,142          |
| Increase in debtors  | (3,189)       | (6,750)        |
| Increase / (decrease) in creditors   | 7,800         | (2,982)        |
| Exchange differences   | 605           | 399            |
| <b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>                           | <b>15,618</b> | <b>(3,905)</b> |
|  |               |                |
|  | 2009<br>£000  | 2008<br>£000   |
| <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS</b>                           |               |                |
| Increase in cash   | 12,296        | 1,077          |
| Inception of finance leases  | (140)         | -              |
| Net movement on short term loans   | (85)          | (116)          |
| Repayments of capital element of finance lease rentals                                 | 39            | 22             |
|  | <b>12,110</b> | <b>983</b>     |
| Net funds at 1 October   | <b>2,383</b>  | <b>1,400</b>   |
| Net funds at 30 September  | <b>14,493</b> | <b>2,383</b>   |
|  |               |                |
|  | 2009<br>£000  | 2008<br>£000   |
| <b>ANALYSIS OF NET FUNDS</b>   |               |                |
| Net cash at bank and in hand   | 15,551        | 3,255          |
| Bank loans   | (909)         | (824)          |
| Finance leases   | (149)         | (48)           |
|  | <b>14,493</b> | <b>2,383</b>   |

Included within cash at bank are funds held on behalf of third parties totalling £6.3m (2008 £0.9m)



## 1 PRINCIPAL ACCOUNTING POLICIES

### ***Basis of accounting***

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

The group operates a profit sharing scheme which is based on the overall results of the group and is a reward for staff loyalty. In view of the basis of this share of profit, the directors have modified the format of the group profit and loss account and present it separately as a charge immediately above 'Profit 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.

### ***Basis of consolidation***

The group accounts consolidate the accounts of the company and all subsidiary undertakings. Subsidiaries acquired in the year are accounted for by the acquisition method of accounting. Undertakings in which the group has a participating interest and over which it exerts significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of these undertakings using the equity method.

Undertakings in which the group has a long-term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the parent company.

### ***Goodwill and Intangible Fixed Assets***

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 its useful economic life. Goodwill is amortised over three to fifteen years reflecting the directors' estimate of the useful economic life of each acquisition. Intangible assets are written down when the carrying amount exceeds the estimated amount recoverable through use or sale.

### ***Research and development expenditure***

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

### ***Investments***

Fixed asset investments are shown at cost less provisions for impairment. A review for impairment is carried out if events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Any loss that arises as a result of such impairment is recognised in the profit and loss account for the financial year in which it is incurred.

If, in the opinion of the directors, there has been a permanent diminution in value of a fixed asset investment, an appropriate provision is made.

### ***Depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset 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  |

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### ***Revenue Recognition***

A long-term contract is defined as a contract entered into where the time taken to complete the contract substantially is such that the contract activity falls into more than one accounting period

In accordance with UITF40 (income recognition for service providers), contracts for services are accounted for as contract activity progresses and 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. However, where the right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs.

These contracts are included in debtors at cost plus attributable profits estimated to be earned to date based on the stage of completion less provision for any known or anticipated losses and payments on account received. Where payments on account are in excess of turnover, these amounts are included in creditors.

Turnover represents the invoiced sales value (excluding value added tax) of services provided by the group during the year, as adjusted for the opening and closing valuations of contracts.

### ***Accruals and deferred income***

Government grants to fund the business liabilities inherited on formation are credited to a deferred income account and are released to profit as the related costs are incurred, or on evidence that the liabilities will not crystallise.

### ***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 substantially 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.

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

### ***Leases***

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge. Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

### ***Foreign currencies***

#### ***Company***

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 differences are taken to the profit and loss account.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### *Group*

On consolidation the assets and liabilities of overseas undertakings are translated at the rate of exchange ruling at the balance sheet date. The results and cash flows for the period are translated at an average rate of exchange. The exchange difference arising on the retranslation of opening net assets, the differences on foreign currency borrowings, forward contracts and the exchange differences on the carrying amount of equity investments in foreign enterprises are taken directly to reserves. All other translation differences are taken to the profit and loss account.

### *Pension costs*

The group operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal UK fund is a defined benefit scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected returns on assets are included within other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

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 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.

Subsidiary companies which operate defined contribution schemes charge an amount to the profit and loss account in respect of pension costs and other post retirement benefits equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

## 2. GROUP TURNOVER

The group is 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.

|                   | 2009<br>£000   | 2008<br>£000   |
|-------------------|----------------|----------------|
| European Union    | 65,056         | 58,036         |
| North America     | 36,411         | 25,539         |
| Rest of the World | 41,152         | 25,384         |
|                   | <u>142,619</u> | <u>108,959</u> |

### 3. COSTS LESS OTHER INCOME

|                               | 2009<br>£000   | 2008<br>£000   |
|-------------------------------|----------------|----------------|
| Charges/(credits)             |                |                |
| Other operating income        | (111)          | (224)          |
| Raw materials and consumables | 28,253         | 19,231         |
| Staff costs (note 7)          | 67,331         | 55,337         |
| Depreciation and amortisation | 3,385          | 2,845          |
| Other operating charges       | 36,744         | 29,279         |
|                               | <u>135,602</u> | <u>106,468</u> |

### 4. OPERATING PROFIT

This is stated after charging/(crediting)

|  | 2009<br>£000 | 2008<br>£000 |
|--|--------------|--------------|
| Operating lease rentals receivable               |              |              |
| - buildings                                      | (12)         | (12)         |
| Operating lease rentals payable                  |              |              |
| - other equipment                                | 407          | 227          |
| - buildings                                      | 2,628        | 2,311        |
| Exchange profit on foreign currency borrowings   |              |              |
| less deposits                                    | (614)        | (688)        |
| Depreciation on owned assets                     | 1,923        | 1,615        |
| Depreciation on assets held under finance leases | 44           | 53           |
| Amortisation of intangible fixed assets          | 128          | 127          |
| Amortisation of goodwill                         | 1,116        | 969          |
| Impairment of goodwill                           | 174          | 173          |

### 5. AUDITORS' REMUNERATION

|   | 2009<br>£000 | 2008<br>£000 |
|---|--------------|--------------|
| Audit services  |              |              |
| Statutory audit   | 110          | 110          |
| Further assurance services  | 24           | 16           |
| Tax services  |              |              |
| Compliance  | 42           | 43           |
| Advisory services   | 12           | 24           |
| Other services  |              |              |
| Auditing of accounts of subsidiary companies                          | 55           | 50           |
| Auditing of accounts of subsidiary companies by associates of auditor | 75           | 45           |
| Other services not covered by the above                               | 20           | 17           |

## 6. DIRECTORS' REMUNERATION

|  | 2009<br>£000 | 2008<br>£000 |
|--|--------------|--------------|
| Emoluments (excluding pension contributions) | 976          | 870          |
| Highest paid director                        |              |              |
| Aggregate emoluments                         | <u>397</u>   | <u>308</u>   |
| Defined benefit pension scheme               |              |              |
| Accrued pension at end of year               | 84           | 81           |
| Accrued lump sum at end of year              | <u>252</u>   | <u>244</u>   |

The number of directors for whom retirement benefits are accruing under defined benefit pension schemes amounted to 2 (2008 2)

## 7. STAFF COSTS

|                                   | 2009<br>£000  | 2008<br>£000  |
|-----------------------------------|---------------|---------------|
| Wages and salaries                | 59,813        | 47,983        |
| Social security costs             | 4,242         | 3,499         |
| Pension and post retirement costs | <u>3,276</u>  | <u>3,855</u>  |
|                                   | 67,331        | 55,337        |
| BMT profit sharing scheme         |               |               |
| Wages and salaries                | 1,343         | 894           |
| Social security costs             | <u>157</u>    | <u>104</u>    |
|                                   | <u>68,831</u> | <u>56,335</u> |

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

|                            | 2009<br>No   | 2008<br>No   |
|----------------------------|--------------|--------------|
| Scientific and technical   | 1,062        | 1,013        |
| Administrative and support | <u>238</u>   | <u>215</u>   |
|                            | <u>1,300</u> | <u>1,228</u> |

## 8. NET INTEREST PAYABLE / RECEIVABLE

|  | 2009<br>£000 | 2008<br>£000 |
|--|--------------|--------------|
| <b>Interest Receivable</b>                       |              |              |
| Bank interest                                    | 122          | 254          |
| Expected rate of return on pension scheme assets | <u>4,912</u> | <u>4,640</u> |
|  | 5,034        | 4,894        |
| <b>Interest Payable</b>                          |              |              |
| Bank loans and overdrafts                        | 150          | 162          |
| On finance leases                                | 4            | 5            |
| Interest on pension liabilities                  | <u>5,008</u> | <u>4,331</u> |
|  | 5,162        | 4,498        |
|  | <u>(128)</u> | <u>396</u>   |

## 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

|   | 2009<br>£000 | 2008<br>£000 |
|---|--------------|--------------|
| Current tax   |              |              |
| - UK corporation tax on results of period   | -            | -            |
| - adjustments in respect of prior periods   | (11)         | -            |
| - foreign tax   | 1,914        | 892          |
|   | <u>1,903</u> | <u>892</u>   |
| Deferred tax  |              |              |
| - UK deferred tax   | 356          | 756          |
| - overseas deferred tax   | (66)         | (87)         |
| Total deferred tax  | <u>290</u>   | <u>669</u>   |
| Tax on result on ordinary activities  | <u>2,193</u> | <u>1,561</u> |
| <b><i>Factors affecting tax charge for the period</i></b>   |              |              |
| The tax assessed for the period is higher than the standard rate of corporation tax in the UK (28%)       |              |              |
| Profit on ordinary activities before tax  | <u>5,744</u> | <u>2,722</u> |
| Profit on ordinary activities at the standard average rate of corporation tax in the UK of 28% (2008 29%) | 1,608        | 789          |
| Effects of  |              |              |
| - items not deductible for tax purposes   | 585          | 511          |
| - short-term timing differences   | 194          | (154)        |
| - research & development tax credit   | (323)        | (331)        |
| - prior year adjustment   | (11)         | -            |
| - capital allowances in excess of depreciation  | 74           | 19           |
| - unutilised tax losses   | 373          | 643          |
| - adjustment in respect of overseas tax rates   | 169          | 59           |
| - pension scheme movements  | (766)        | (644)        |
| Current tax charge for the period   | 1,903        | 892          |
| Provision for UK deferred tax   | 356          | 756          |
| Provision for overseas deferred tax   | (66)         | (87)         |
| Total tax charge for the period   | <u>2,193</u> | <u>1,561</u> |

## 10. INTANGIBLE FIXED ASSETS

|  | Goodwill<br>£000 | Vessel<br>Design<br>Portfolio<br>£000 | Total<br>£000 |
|--|------------------|---------------------------------------|---------------|
| <b>Cost</b>                                    |                  |                                       |               |
| - at 1 October 2008                            | 14,782           | 1,920                                 | 16,702        |
| - additions                                    | 1,458            | -                                     | 1,458         |
| - exchange difference                          | 147              | -                                     | 147           |
| <b>At 30 September 2009</b>                    | <b>16,387</b>    | <b>1,920</b>                          | <b>18,307</b> |
| <b>Amortisation</b>                            |                  |                                       |               |
| - at 1 October 2008                            | 7,848            | 704                                   | 8,552         |
| - provided during the year                     | 1,116            | 128                                   | 1,244         |
| - impairment during year                       | 174              | -                                     | 174           |
| - exchange difference                          | 103              | -                                     | 103           |
| <b>At 30 September 2009</b>                    | <b>9,241</b>     | <b>832</b>                            | <b>10,073</b> |
| <b>Net book value<br/>at 30 September 2009</b> | <b>7,146</b>     | <b>1,088</b>                          | <b>8,234</b>  |
| <b>Net book value<br/>at 30 September 2008</b> | <b>6,934</b>     | <b>1,216</b>                          | <b>8,150</b>  |

The addition to goodwill in the year of £1,458,000 is made up as follows

- An increase of £1,455,000 relating to an increase in deferred consideration against the acquisition of WBM Pty Ltd due to better than expected profitability over the course of the earn-out period
- An increase of £40,000 relating to an increase in deferred consideration against the acquisition of Hi-Q Systems Ltd due to better than expected profitability over the course of the earn-out period
- Further capitalised acquisition costs of £49,000 relating to various previous acquisitions
- A reduction of £86,000 relating to deferred consideration due to lower than expected profits against the acquisition of Entech Inc

## 11. TANGIBLE FIXED ASSETS

### Group

|                                  | Freehold land<br>and<br>buildings<br>£000 | Leasehold<br>properties<br>and<br>improvements<br>£000 | Other<br>Equipment<br>£000 | Total<br>£000 |
|----------------------------------|---|--|----------------------------|---------------|
| Cost at<br>1 Oct 2008            | 6,745                                     | 2,588  | 16,514                     | 25,847        |
| Additions                        | 75  | 227  | 2,120                      | 2,422         |
| Disposals                        | -   | -  | (224)                      | (224)         |
| Exchange fluctuations            | 257                                       | 84   | 1,395                      | 1,736         |
| At 30 Sep 2009                   | 7,077                                     | 2,899  | 19,805                     | 29,781        |
| Depreciation<br>1 Oct 2008       | 2,002                                     | 1,447  | 12,688                     | 16,137        |
| Provided<br>during year          | 124                                       | 120  | 1,723                      | 1,967         |
| Disposals                        | -   | -  | (197)                      | (197)         |
| Exchange fluctuations            | 32  | 60   | 873                        | 965           |
| At 30 Sep 2009                   | 2,158                                     | 1,627  | 15,087                     | 18,872        |
| Net book value<br>At 30 Sep 2009 | 4,919                                     | 1,272  | 4,718                      | 10,909        |
| At 30 Sep 2008                   | 4,743                                     | 1,141  | 3,826                      | 9,710         |

The net book value of tangible fixed assets includes an amount of £112,000 (2008 £16,000) in respect of assets held under finance leases



# 11. TANGIBLE FIXED ASSETS (Continued)

## Company

|                                  | Freehold land<br>and<br>buildings<br>£000 | Leasehold<br>properties and<br>improvements<br>£000 | Other<br>Equipment<br>£000 | Total<br>£000 |
|----------------------------------|---|---|----------------------------|---------------|
| Cost at<br>1 Oct 2008            | 5,341                                     | 1,581   | 812                        | 7,734         |
| Additions                        | -   | -   | 76                         | 76            |
| Disposals                        | -   | -   | -                          | -             |
| At 30 Sep 2009                   | 5,341                                     | 1,581   | 888                        | 7,810         |
| Depreciation<br>1 Oct 2008       | 1,791                                     | 654   | 645                        | 3,090         |
| Provided during year             | 90  | 30  | 61                         | 181           |
| Disposals                        | -   | -   | -                          | -             |
| At 30 Sep 2009                   | 1,881                                     | 684   | 706                        | 3,271         |
| Net book value<br>At 30 Sep 2009 | 3,460                                     | 897   | 182                        | 4,539         |
| At 30 Sep 2008                   | 3,550                                     | 927   | 167                        | 4,644         |

## 12. FIXED ASSET INVESTMENTS

### Group

|                      | Managed<br>Fund<br>£000 | Listed<br>Investments<br>£000 | Bank<br>Deposits<br>£000 | Total<br>£000 |
|----------------------|-------------------------|-------------------------------|--------------------------|---------------|
| Cost                 |                         |                               |                          |               |
| At 1 Oct 2008        | 5,602                   | 8,866                         | 881                      | 15,349        |
| Additions            | 300                     | -                             | -                        | 300           |
| Disposals/revisions  | (350)                   | (60)                          | (130)                    | (540)         |
| At 30 Sep 2009       | 5,552                   | 8,806                         | 751                      | 15,109        |
| Provisions           |                         |                               |                          |               |
| At 1 Oct 2008        | -                       | -                             | -                        | -             |
| Released during year | -                       | -                             | -                        | -             |
| At 30 Sep 2009       | -                       | -                             | -                        | -             |
| Net book value       |                         |                               |                          |               |
| At 30 Sep 2009       | 5,552                   | 8,806                         | 751                      | 15,109        |
| At 30 Sep 2008       | 5,602                   | 8,866                         | 881                      | 15,349        |

The managed fund represents two portfolios of readily marketable interest-bearing securities held under management by Schroder Investment Management International Limited and Brewin Dolphin Securities Limited

The market value of the managed fund at 30 September 2009 was £4,550,000 (2008 £4,797,000)

The market value of the listed investments at 30 September 2009 was £7,518,000 (2008 £6,561,000)

The bank deposit of £751,000 is secured on a deed of charge dated 20 February 1987 in favour of ex-civil servants employed within the group

In addition to the above investments, the group also participates in joint ventures and associated undertakings as follows

|                             | Joint<br>ventures<br>£000 | Associates<br>£000 | Total<br>£000 |
|-----------------------------|---------------------------|--------------------|---------------|
| Cost                        |                           |                    |               |
| At 1 Oct 2008               | 66                        | 108                | 174           |
| Additions                   | 62                        | -                  | 62            |
| (Loss)/profit in the period | (182)                     | 7                  | (175)         |
| Exchange movement           | 59                        | 17                 | 76            |
| At 30 Sep 2009              | 5                         | 132                | 137           |

## 12. FIXED ASSET INVESTMENTS (Continued)

### *Company*

|                       | Managed<br>Fund<br>£000 | Listed<br>Investments<br>£000 | Bank<br>Deposits<br>£000 | Subsidiary<br>Undertakings<br>£000 | Total<br>£000 |
|-----------------------|-------------------------|-------------------------------|--------------------------|------------------------------------|---------------|
| <b>Cost</b>           |                         |                               |                          |                                    |               |
| At 1 Oct 2008         | 5,602                   | 8,825                         | 881                      | 35,274                             | 50,582        |
| Additions             | 300                     | -                             | -                        | 4,176                              | 4,476         |
| Disposals             | (350)                   | (60)                          | (130)                    | -                                  | (540)         |
| <b>At 30 Sep 2009</b> | <b>5,552</b>            | <b>8,765</b>                  | <b>751</b>               | <b>39,450</b>                      | <b>54,518</b> |
| <b>Provisions</b>     |                         |                               |                          |                                    |               |
| At 1 Oct 2008         | -                       | -                             | -                        | 8,277                              | 8,277         |
| Charge for year       | -                       | -                             | -                        | 85                                 | 85            |
| Disposals             | -                       | -                             | -                        | -                                  | -             |
| <b>At 30 Sep 2009</b> | <b>-</b>                | <b>-</b>                      | <b>-</b>                 | <b>8,362</b>                       | <b>8,362</b>  |
| <b>Net book value</b> |                         |                               |                          |                                    |               |
| At 30 Sep 2009        | 5,552                   | 8,765                         | 751                      | 31,088                             | 46,156        |
| At 30 Sep 2008        | 5,602                   | 8,825                         | 881                      | 26,997                             | 42,305        |

The managed fund represents a portfolio of readily marketable interest bearing securities held under management by Schroder Investment Management International Limited and Brewin Dolphin Securities Limited

The market value of the managed fund at 30 September 2009 was £4,450,000 (2008 £4,797,000)

The market value of the listed investments at 30 September 2009 was £7,518,000 (2008 £6,561,000)

The bank deposit of £751,000 is secured on a deed of charge dated 20 February 1987 in favour of ex-civil servants employed within the group

## 12. FIXED ASSET INVESTMENTS (Continued)

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those wholly owned subsidiary and associate undertakings (unless otherwise stated) whose results or financial position, in the opinion of the directors, principally affected the figures of the group.

| <u>Name &amp; country of incorporation</u> | <u>Nature of business</u>                             |
|--|---|
| <b>Australia</b>                           |   |
| BMT Design & Technology Pty Ltd            | Services to the defence and maritime industries       |
| BMT WBM Pty Ltd                            | Environmental and engineering consultancy             |
| <b>Belgium</b>                             |   |
| BMT Techmar International NV*              | Marine surveying                                      |
| <b>Canada</b>                              |   |
| BMT Fleet Technology Ltd*                  | Specialist engineering and ice technology consultancy |
| <b>England &amp; Wales</b>                 |   |
| BMT Defence Services Ltd                   | Services to the defence industry                      |
| BMT Fluid Mechanics Ltd                    | Fluid and structural mechanics consultancy            |
| BMT Hi-Q Sigma Ltd                         | Services to the defence industry                      |
| BMT Isis Ltd                               | Safety and environmental consultancy                  |
| BMT Marine Projects Ltd                    | Procurement and contract management services          |
| BMT Nigel Gee Ltd                          | Naval architecture for luxury yachts and fast craft   |
| BMT Fleet Technology Ltd                   | Services to the rail industry                         |
| BMT Reliability Consultants Ltd            | Reliability life cycle costing and safety services    |
| BMT Marine & Offshore Surveys Ltd          | Marine risk and insurance consultancy services        |
| BMT ARGOSS Ltd                             | Naval architecture consultancy services               |
| BMT Shipdesign Ltd                         | Ship design and marine engineering services           |
| BMT Sigma Ltd                              | Performance management and systems engineering        |
| <b>Germany</b>                             |   |
| BMT Transport Solutions GmbH               | Inter-modal transport management consultancy          |
| <b>Hong Kong</b>                           |   |
| BMT Asia Environment Ltd                   | Environmental consultancy                             |
| BMT Asia Pacific Ltd                       | Maritime consultancy                                  |
| BMT Titron Holdings Ltd (50% JV)*          | Shipdesign services                                   |
| <b>India</b>                               |   |
| BMT Consultants India Pvt Ltd              | Maritime consultancy                                  |
| <b>Netherlands</b>                         |   |
| BMT De Beer BV                             | Marine surveying                                      |
| ARGOSS Holdings BV (87%)                   | Earth observation consultancy                         |
| <b>Scotland</b>                            |   |
| BMT Cordah Ltd                             | Environmental consultancy                             |
| <b>Singapore</b>                           |   |
| BMT Asia Pacific Pte Ltd                   | Maritime consultancy                                  |
| <b>United States of America</b>            |   |
| BMT Designers & Planners Inc*              | Ship engineering and environmental services           |
| BMT Scientific Marine Services Inc*        | Marine and offshore equipment & consultancy           |
| BMT Syntek Technologies Inc*               | Defence consultancy services and software             |

\* Held by subsidiary undertaking

All companies are 100% owned unless otherwise stated

### 13. DEBTORS

|   | Group         |               | Company      |              |
|---|---------------|---------------|--------------|--------------|
|   | 2009<br>£000  | 2008<br>£000  | 2009<br>£000 | 2008<br>£000 |
| <b>Amounts falling due within one year</b>          |               |               |              |              |
| Trade debtors                                       | 29,062        | 25,025        | -            | 573          |
| Amounts owed by subsidiary undertakings             | -             | -             | 3,762        | 1,952        |
| Amounts recoverable on contracts                    | 13,421        | 14,432        | 712          | 320          |
| Other debtors                                       | 1,947         | 2,053         | 305          | 378          |
| Corporation tax                                     | 28            | 184           | -            | 30           |
| Prepayments and accrued income                      | 2,118         | 1,874         | 249          | 27           |
|   | <u>46,576</u> | <u>43,568</u> | <u>5,028</u> | <u>3,280</u> |
| <b>Amounts falling due after more than one year</b> |               |               |              |              |
| Amounts owed by subsidiary undertakings             | -             | -             | 4,429        | 3,204        |
| Other debtors                                       | 1,940         | 1,301         | 162          | -            |
| Pension prepayment                                  | -             | -             | 1,346        | 2,250        |
|   | <u>1,940</u>  | <u>1,301</u>  | <u>5,937</u> | <u>5,454</u> |

Included within other debtors is an amount of £1,915,000 (2008 £1,301,000) in respect of deferred tax recoverable in more than one year (see note 18)

### 14. CASH

| Group                    | 2009          |                           | 2008         |                           | 2007         |
|--------------------------|---------------|---------------------------|--------------|---------------------------|--------------|
|                          | 2009<br>£000  | Change<br>In year<br>£000 | 2008<br>£000 | Change<br>In year<br>£000 |              |
| Analysis of balances     |               |                           |              |                           |              |
| Cash at bank and in hand | 23,064        | 11,462                    | 11,602       | 399                       | 11,203       |
| Bank overdrafts          | (7,513)       | 834                       | (8,347)      | 679                       | (9,026)      |
| At 30 September          | <u>15,551</u> | <u>12,296</u>             | <u>3,255</u> | <u>1,078</u>              | <u>2,177</u> |

**15. CREDITORS: Amounts falling due within one year**

|   | Notes | Group         |               | Company       |              |
|---|-------|---------------|---------------|---------------|--------------|
|   |       | 2009<br>£000  | 2008<br>£000  | 2009<br>£000  | 2008<br>£000 |
| Bank overdraft                          | 14    | 7,513         | 8,347         | -             | -            |
| Bank loans                              |       | 909           | 800           | 900           | 800          |
| Obligations under finance leases        |       | 102           | 21            | -             | -            |
| Income in advance                       |       | 7,217         | 7,931         | 289           | 199          |
| Trade creditors                         |       | 8,670         | 5,633         | 821           | 148          |
| Amounts owed to subsidiary undertakings |       | -             | -             | 2,141         | 3,841        |
| Corporation tax                         |       | 1,059         | 346           | -             | -            |
| Other taxation and social security      |       | 2,357         | 2,148         | 695           | 616          |
| Other creditors                         |       | 11,806        | 3,452         | 7,508         | 181          |
| Accrued charges                         |       | 11,134        | 9,003         | 2,060         | 2,691        |
|   |       | <u>50,767</u> | <u>37,681</u> | <u>14,414</u> | <u>8,476</u> |

**16. CREDITORS: Amounts falling due after more than one year**

|                                  | Group        |              | Company      |              |
|----------------------------------|--------------|--------------|--------------|--------------|
|                                  | 2009<br>£000 | 2008<br>£000 | 2009<br>£000 | 2008<br>£000 |
| Bank loans                       | -            | 24           | -            | -            |
| Obligations under finance leases | 47           | 27           | -            | -            |
| Other creditors                  | <u>553</u>   | <u>665</u>   | <u>-</u>     | <u>477</u>   |
|                                  | <u>600</u>   | <u>716</u>   | <u>-</u>     | <u>477</u>   |

The net finance lease obligations to which the group is committed are

|                            | 2009<br>£000 | 2008<br>£000 |
|----------------------------|--------------|--------------|
| In one year or less        | 102          | 21           |
| Between one and five years | <u>47</u>    | <u>27</u>    |
|                            | <u>149</u>   | <u>48</u>    |

**17. BANK LOANS**

|                                    | Group        |              | Company      |              |
|------------------------------------|--------------|--------------|--------------|--------------|
|                                    | 2009<br>£000 | 2008<br>£000 | 2009<br>£000 | 2008<br>£000 |
| Repayable within one year          | 909          | 800          | 900          | 800          |
| Repayable between one and two year | <u>-</u>     | <u>24</u>    | <u>-</u>     | <u>-</u>     |
|                                    | <u>909</u>   | <u>824</u>   | <u>900</u>   | <u>800</u>   |

Analysis of changes in bank loan financing during the year

|                    | 2009<br>£000 | 2008<br>£000 |
|--------------------|--------------|--------------|
| At 1 October       | 824          | 708          |
| New loans          | 900          | 800          |
| Repayment of loans | (815)        | (684)        |
| At 30 September    | 909          | 824          |

18. PROVISIONS FOR LIABILITIES AND CHARGES

|   | 2009<br>£000 | 2008<br>£000 |
|---|--------------|--------------|
| <b>Deferred Taxation</b>                            |              |              |
| <b>Group</b>  |              |              |
| At 1 October  | (1,301)      | (1,281)      |
| On acquisition                                      | -            | 1            |
| Transfer from profit and loss                       | (476)        | 25           |
| Exchange differences                                | (138)        | (46)         |
| At 30 September                                     | (1,915)      | (1,301)      |
|   | 2009<br>£000 | 2008<br>£000 |
| Provision for deferred tax has been made as follows |              |              |
| - tax losses  | (691)        | (505)        |
| - short-term timing differences                     | (963)        | (471)        |
| - depreciation in excess of capital allowances      | (261)        | (325)        |
| Provision for deferred tax                          | (1,915)      | (1,301)      |
| The above deferred tax asset is shown in debtors    |              |              |
| <b>Company</b>                                      | 2009<br>£000 | 2008<br>£000 |
| At 1 October 2008                                   | 275          | (165)        |
| Transfer from profit and loss                       | (437)        | 440          |
| At 30 September 2009                                | (162)        | 275          |
|   | 2009<br>£000 | 2008<br>£000 |
| Provision for deferred tax has been made as follows |              |              |
| Tax Losses  | (500)        | (320)        |
| Short-term timing differences                       | 216          | 507          |
| Depreciation in excess of capital allowances        | 122          | 88           |
|   | (162)        | 275          |

## 19. RELATED PARTY TRANSACTIONS

Transactions with subsidiary companies where 100% of the voting rights of that subsidiary are controlled within the group have been eliminated on consolidation in the group accounts. In accordance with FRS 8, these transactions have not been separately disclosed.

Transactions with entities that are not 100% controlled within the group are as follows:

|                     |                          |          |
|---------------------|--------------------------|----------|
| BMT Argoss BV       | Sales                    | £ 32,000 |
|                     | Purchases                | £ 45,000 |
|                     | Indebtedness at year-end | £ 28,000 |
| BMT Titron Holdings | Sales                    | £467,000 |
|                     | Purchases                | £ 35,000 |
|                     | Indebtedness at year-end | £549,000 |

## 20. RESERVES

| <i>Group</i>                      | Profit & Loss<br>Reserve<br>£000 | Pension<br>Reserve<br>£000 | Total<br>£000 |
|-----------------------------------|----------------------------------|----------------------------|---------------|
| At 1 October 2008                 | 51,379                           | (2,239)                    | 49,140        |
| Retained profit for the year      | 3,414                            | -                          | 3,414         |
| Transfers in relation to pensions | (1,968)                          | 1,968                      | -             |
| Exchange translation              | 1,652                            | -                          | 1,652         |
| Net pension movement              | -                                | (23,735)                   | (23,735)      |
| At 30 September 2009              | 54,477                           | (24,006)                   | 30,471        |

The profit & loss reserve contains historic goodwill totalling £3,073,000, not capitalised and systematically amortised over its useful economic life but written off directly to reserves prior to 1999 as permitted by English law.

### *Company*

|                              |        |
|------------------------------|--------|
| At 1 October 2008            | 47,657 |
| Retained profit for the year | 6,016  |
| At 30 September 2009         | 53,673 |



## 21. RECONCILIATION OF MOVEMENT IN TOTAL FUNDS

|   | 2009<br>£000    | 2008<br>£000  |
|---|-----------------|---------------|
| Retained profit for the financial year          | 3,414           | 1,159         |
| Movement on pension schemes                     | (23,735)        | 3,886         |
| Net exchange gain on foreign equity investments | 1,652           | 685           |
|   | <u>(18,669)</u> | <u>5,730</u>  |
| Total funds at 1 October                        | 49,140          | 43,410        |
|   | <u>30,471</u>   | <u>49,140</u> |
| Total funds at 30 September                     |                 |               |

## 22. SHARE CAPITAL

The company is limited by guarantee without share capital

## 23. CONSTITUTION AND CONTROL

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

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

In accordance with the company's Memorandum and Articles of Association, any surplus of assets, up to £30 million plus indexation based on RPI from September 1998 (£39.3 million at 30 September 2009), 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, and any remaining assets will be paid to the beneficiaries of the Employee Benefit Trust. No ordinary member shall have any entitlement to share in the profits or surplus assets of the Company.

The company is in the ultimate control of the Trustees of the Employee Benefit Trust, in beneficial ownership for all employees.

## 24. LEASING COMMITMENTS

The annual commitments under non-cancellable operating leases are as follows

|  | Land and Buildings |            | Other    |          |
|--|--------------------|------------|----------|----------|
|  | 2009               | 2008       | 2009     | 2008     |
|  | £000               | £000       | £000     | £000     |
| <b>Group</b>                           |                    |            |          |          |
| Operating leases which expire          |                    |            |          |          |
| within one year                        | 623                | 317        | 59       | 114      |
| in the second to fifth years inclusive | 2,196              | 2,253      | 202      | 158      |
| over five years                        | <u>104</u>         | <u>-</u>   | <u>-</u> | <u>-</u> |
| <b>Company</b>                         |                    |            |          |          |
| Operating leases which expire          |                    |            |          |          |
| within one year                        | 147                | -          | -        | -        |
| in the second to fifth years inclusive | 134                | 137        | 6        | 12       |
| over five years                        | <u>104</u>         | <u>144</u> | <u>-</u> | <u>-</u> |

## 25 PENSION COMMITMENTS

The group operates a number of pension schemes throughout the world, the most significant being the BMT Pension and Life Assurance Scheme ("The BMT Scheme") which is a defined benefit 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:***

### **The BMT Scheme**

A majority of UK employees are members of the BMT Scheme whose assets are held separately from those of the group in an independently administered fund. Company contributions to the pension scheme have been set at 18% and these are matched on a 2:1 ratio by employees. The scheme is closed to new entrants.

The date of the last actuarial valuation was 6 April 2009.

### **BMT Marine & Offshore Surveys ("MOSL") Ltd**

#### **LSF Surveyors Scheme**

Certain UK employees of BMT Marine & Offshore Surveys Ltd participate in a multi-employer scheme with Lloyd's of London. As the company is unable to identify on a consistent and reliable basis its share of the underlying assets and liabilities of the scheme, the figures do not form part of these accounts.

#### **Marine & Offshore Surveyors USA Surveyors Scheme**

The US staff of BMT Marine & Offshore Surveys Ltd participate in a defined benefit scheme for which the latest actuarial valuation was carried out at 1 January 2007. The scheme was frozen in 2004.

The deficit in the scheme currently stands at £2,298,000.

## 25. PENSION COMMITMENTS (continued)

| Main assumptions for FRS 17 purposes    | BMT Scheme |      | MOSL<br>US Scheme |      |
|---|------------|------|-------------------|------|
|   | 2009       | 2008 | 2009              | 2008 |
| Rate of increase in salaries            | 4.8%       | 5.1% | 0.0%              | 0.0% |
| Rate of increase in pensions in payment | 3.4%       | 3.6% | 0.0%              | 0.0% |
| Discount rate                           | 5.5%       | 7.3% | 5.5%              | 7.3% |
| Inflation assumption                    | 3.3%       | 3.6% | 0.0%              | 0.0% |
| Rate of increase to deferred pensions   | 3.3%       | 3.6% | 0.0%              | 0.0% |

| BMT & MOSL USA SCHEMES | 2009 | 2008 |
|------------------------|------|------|
|                        | £000 | £000 |

### Changes in the present value of the defined benefit obligation

|                                      |         |          |
|--------------------------------------|---------|----------|
| Opening defined benefit obligation   | 67,909  | 78,628   |
| Service cost                         | 970     | 2,290    |
| Interest cost                        | 5,008   | 4,682    |
| Contributions by scheme participants | 1,540   | 1,610    |
| Benefits paid                        | (2,883) | (2,835)  |
| Actuarial losses / (gains)           | 28,497  | (17,390) |
| Exchange rate gains                  | 723     | 924      |

|                                    |         |        |
|------------------------------------|---------|--------|
| Closing defined benefit obligation | 101,764 | 67,909 |
|------------------------------------|---------|--------|

| BMT & MOSL USA Schemes | 2009 | 2008 |
|------------------------|------|------|
|                        | £000 | £000 |

### Changes in the fair value of plan assets

|                                       |         |          |
|---------------------------------------|---------|----------|
| Opening plan assets                   | 64,720  | 67,436   |
| Expected return                       | 4,912   | 4,988    |
| Actuarial (losses)                    | (4,277) | (11,566) |
| Contributions by employer             | 3,800   | 4,274    |
| Contributions by scheme participants  | 1,540   | 1,610    |
| Exchange differences on foreign plans | 610     | 813      |
| Benefits paid                         | (2,883) | (2,835)  |

|                     |        |        |
|---------------------|--------|--------|
| Closing plan assets | 68,422 | 64,720 |
|---------------------|--------|--------|

The actual return on plan assets was a profit of £313,000 (2008 loss £6.9m)

## 25. PENSION COMMITMENTS (continued)

| <u>BMT &amp; MOSL USA SCHEMES</u>     | 2009<br>£000 | 2008<br>£000 |
|---------------------------------------|--------------|--------------|
| Present value of funded obligations   | (101,764)    | (67,909)     |
| Fair value of plan assets             | 68,422       | 64,720       |
| Present value of unfunded obligations | (33,342)     | (3,189)      |
| Unrecognised past service cost        | -            | -            |
| Deficit                               | (33,342)     | (3,189)      |
| Related deferred tax asset            | 9,336        | 950          |
| Net pension liability                 | (24,006)     | (2,239)      |

| <u>BMT &amp; MOSL USA SCHEMES</u>   | 2009 | 2008 |
|---|------|------|
| <u>Major categories of plan assets as a percentage of fair value of total plan assets</u> |      |      |
| European equities   | 33%  | 31%  |
| North American equities   | 3%   | 17%  |
| European bonds  | 32%  | 28%  |
| North American bonds  | 2%   | 2%   |
| Property  | 11%  | 14%  |
| Other   | 19%  | 8%   |
|   | 100% | 100% |

| <u>BMT &amp; MOSL USA SCHEMES</u> | 2009<br>£000 | 2008<br>£000 | 2007<br>£000 | 2006<br>£000 | 2005<br>£000 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation        | (101,764)    | (67,909)     | (78,628)     | (83,319)     | (69,730)     |
| Plan assets                       | 68,422       | 64,720       | 67,436       | 59,769       | 51,666       |
| Deficit                           | (33,342)     | (3,189)      | (11,192)     | (23,550)     | (18,064)     |

| <u>BMT &amp; MOSL USA SCHEMES</u>          |          |          |        |         |         |
|--|----------|----------|--------|---------|---------|
| Experience adjustments on plan liabilities | (27,301) | 17,390   | 10,333 | (8,260) | (5,897) |
| Experience adjustments on plan assets      | (4,277)  | (11,566) | 1,214  | 2,830   | 4,618   |

## **25. PENSION COMMITMENTS (continued)**

### **The Company**

The company accounts for pension costs in accordance with FRS 17 on retirement benefits. In accordance with the standard, the company treats contributions to defined benefit schemes as if they were contributions to a defined contribution plan. This is because the underlying assets and liabilities of the defined benefit schemes cover a number of the group's UK undertakings and cannot readily be split between each undertaking on a consistent and reliable basis.

### **Defined Contribution Scheme**

A number of subsidiary companies operate a mixture of state and private defined contribution schemes. Contributions to these schemes during the year amounted to £2,162,000 (2008 £1,550,000).

## **26. CONTINGENT LIABILITIES**

The company has provided a guarantee to Barclays Bank plc in respect of overdraft facilities granted to the subsidiary undertakings. The amount guaranteed, as at 30 September 2009 was £6,787,000. The guarantee is unsecured.