

Company Number: 02158796

**BMT Hi-Q Sigma Limited**

REPORT AND ACCOUNTS

30 SEPTEMBER 2018



**DIRECTORS**

J Berwick  
S Kenny  
D McSweeney

**COMPANY SECRETARY**

T Grey

**AUDITOR**

RSM UK Audit LLP  
3<sup>rd</sup> Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

**BANKERS**

HSBC Bank Plc  
Barclays Bank Plc

**SOLICITORS**

Barlow Lyde & Gilbert  
Beaufort House  
15 St. Botolph Street  
London  
EC3A 7NJ

**REGISTERED OFFICE**

Goodrich House  
1 Waldegrave Road  
Teddington  
Middlesex  
TW11 8LZ

Report and Accounts  
for the year ended 30 September 2018

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## STRATEGIC REPORT

### REVIEW OF THE BUSINESS

This was the final year of the business trading as a separate entity. On 31<sup>st</sup> August 2018, the business was acquired by BMT Defence & Security UK Ltd to form a single BMT company in the UK focussed on the defence and security market as part of a wider restructuring programme in BMT's group of companies.

During 11 months of trading, the business maintained its revenues from the previous year and delivered a modest increase in operating profit. This result was achieved against a back drop of a difficult defence market (characterised by increased competition, consolidation of contracts and reduced budgets resulting from transformation within the UK Ministry of Defence) and internal change and restructuring. The restructuring has delivered a single BMT business that brings together the capabilities of the BMT Hi-Q Sigma Ltd business with complimentary capabilities of BMT Defence & Security UK Ltd to create a larger company that offers higher value services to clients, more efficient operations and the ability to invest in new technologies and services to realise sustainable growth.

We continued to execute our strategy to grow into markets beyond defence to increase the resilience of the business and to develop a solid basis for future sustainable growth. This year, turnover has come from a more balanced portfolio of clients across the defence and security markets, a trend we expect to continue. Significant new contracts included the extension to our key role supporting the Metropolitan Police Service's One Met Model transformation programme and a contract to deliver support to the UK MOD's Battlefield and Tactical Communications & Information Systems programme.

### PRINCIPAL RISKS AND OPPORTUNITIES

The principal risks facing the company are:

- Ongoing uncertainty in the defence industry, impacting quality and continuity of workload and access to diverse workstreams.
- Shortage of suitably qualified and experienced personnel.

The directors believe that the most appropriate mitigating strategy continues to be the drive to remain a growing company that delivers excellence to its clients across a broader range of services and markets, reducing our reliance on a single sector, while continuing to invest in people and offer them fulfilling, rewarding careers. This can best be achieved through a single BMT company in the UK operating in the defence and security markets.

### KEY PERFORMANCE INDICATORS

Financial key performance indicators for the business for the FY 2017/18 are:

- Operating Profit Margin 13.4% (2017: 9.9%)

In the previous year trade receivables were used as a key performance indicator however, due to the sale of trade and assets in the current year, this is not considered a key measure at 30 September 2018 (2017: 14 weeks turnover).

### DEVELOPMENT OF THE BUSINESS

Despite challenging market conditions and political uncertainty in the UK, the directors are confident it can sustain further growth, but as part of the BMT Defence & Security UK Ltd business. Growth will be achieved by building on the company's strong reputation and brand with existing clients, actively nurturing and developing key relationships both with industry partners and end customers, investing in new products and services that increase the value of our offer to our clients and by continuing to invest in innovation and research to sustain longer term growth. The company promotes professional excellence in its core skills and all its business functions, establishing close links with academia and training accreditations with professional institutions.

## STRATEGIC REPORT

### PEOPLE

The company is an independent knowledge based organisation that sells its expertise. We recognise that the people we employ are our most valuable resource, which is underlined by the Trust ownership structure of the BMT Group. We continue to develop the skills of our people through training programmes and encourage employee engagement.

Ethics are a defining feature of our corporate culture and all employees are required to conduct themselves in accordance with a Code of Conduct to ensure common standards 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 legislation, including the 2010 Bribery Act; and
- increase transparency relating to the governance of the business.

We are an equal opportunity employer and our Diversity and Equality policy, as set out in the Staff Handbook, seeks to ensure that people are treated equally, regardless of gender, race, colour, age, disability, sexual orientation, religious beliefs, nationality or marital status.

### ENVIRONMENTAL MATTERS

The company takes a responsible attitude towards the environment. Most of our environmental impact relates to the running of our offices and to business travel, and is actively managed at a Group level as part of the UK Energy Savings Opportunity Scheme (ESOS). Recent audit recommendations for improving efficiency are being implemented, with further improvements expected year on year.

By order of the Board,



T Grey  
Secretary

Dated: December 2018

## DIRECTORS' REPORT

The directors submit their report, a separate Strategic Report and financial statements for BMT Hi-Q Sigma Limited, company number 02158796, for the year ended 30 September 2018.

### PRINCIPAL ACTIVITIES

The company is a management consultancy working primarily in the defence and security sectors. On 31 August 2018, the company sold its trade and assets to a fellow subsidiary company and ceased trading from that date.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,299k (2017: £878k). A £2,360k (2017: £1,500k) dividend was paid during the financial year.

### DIRECTORS

The directors during the year were as follows:

A Bennett (resigned 1 April 2018)  
S Gould (resigned 1 May 2018)  
S Feilder (resigned 1 May 2018)  
M Hysted (resigned 31 May 2018)  
N Adams (resigned 9 October 2017)  
J Berwick  
D McSweeney (appointed 1 May 2018)  
S Kenny (appointed 1 May 2018)

### EMPLOYEES

The details of employees are set out in the Strategic Report.

### HEALTH AND SAFETY

The company's policy is to comply with both the requirements and spirit of all relevant health and safety legislation.

### ELECTIVE RESOLUTION

The company has filed an elective resolution with the Registrar of Companies to dispense with the laying of accounts and reports before any general meeting.

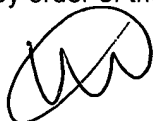
### AUDITOR

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

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

By order of the Board,



T Grey  
Secretary

Dated: 20 December 2018

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMT HI-Q SIGMA LIMITED**

### **Opinion**

We have audited the financial statements of BMT Hi-Q Sigma Limited (the 'company') for the year ended 30 September 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its 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 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.

### **Emphasis of matter – non-going concern basis of accounting**

We draw attention to note 1 of the financial statements, which describes the preparation of the financial statements on a non-going concern basis. As described in note 1, the company ceased trading on 31 August 2018 and the directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. There have been no adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting. Our opinion is not modified in respect of this matter.

### **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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMT HI-Q SIGMA LIMITED (CONTINUED)**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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.

*RSM UK Audit LLP*

Christopher Hurren BA FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
3<sup>rd</sup> Floor, One London Square  
Guildford, GU1 1UN

**21** December 2018

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 30 September 2018

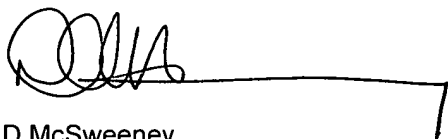
|   | Notes | 2018<br>£'000 | 2017<br>£'000 |
|---|-------|---------------|---------------|
| <b>Turnover</b>   | 2     | 12,225        | 13,746        |
| Other external charges                                  |       | (2,572)       | (2,687)       |
| Staff costs   | 5     | (6,350)       | (7,706)       |
| Depreciation  |       | (73)          | (94)          |
| Other operating charges                                 |       | (1,586)       | (1,902)       |
| <b>OPERATING PROFIT</b>                                 |       | <b>1,644</b>  | <b>1,357</b>  |
| Net interest receivable                                 | 6     | 4             | 11            |
| <b>PROFIT BEFORE TAXATION AND PROFIT SHARING SCHEME</b> | 3     | <b>1,648</b>  | <b>1,368</b>  |
| Profit sharing scheme                                   | 5     | -             | -             |
| <b>PROFIT BEFORE TAXATION</b>                           |       | <b>1,648</b>  | <b>1,368</b>  |
| Taxation  | 7     | (349)         | (490)         |
| <b>PROFIT AFTER TAXATION FOR THE YEAR</b>               |       | <b>1,299</b>  | <b>878</b>    |
| Other comprehensive income                              |       | -             | -             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>          |       | <b>1,299</b>  | <b>878</b>    |

The trade was sold to BMT Defence and Security Limited on 31 August 2018 and hence the trade is discontinued (see note 13).

STATEMENT OF FINANCIAL POSITION  
at 30 September 2018

|                                     | Notes | 2018<br>£'000 | 2017<br>£'000  |
|-------------------------------------|-------|---------------|----------------|
| <b>FIXED ASSETS</b>                 |       |               |                |
| Tangible assets                     | 9     | <u>-</u>      | <u>147</u>     |
| <b>CURRENT ASSETS</b>               |       |               |                |
| Debtors                             | 10    | 2,621         | 3,995          |
| Cash at bank and in hand            |       | <u>705</u>    | <u>1,757</u>   |
|                                     |       | 3,326         | 5,752          |
| <b>CREDITORS</b>                    |       |               |                |
| Amounts falling due within one year | 11    | <u>(958)</u>  | <u>(2,470)</u> |
| <b>NET CURRENT ASSETS</b>           |       | <u>2,368</u>  | <u>3,282</u>   |
| <b>NET ASSETS</b>                   |       | <u>2,368</u>  | <u>3,429</u>   |
| <b>CAPITAL AND RESERVES</b>         |       |               |                |
| Called up share capital             | 14    | 12            | 12             |
| Share premium                       |       | 22            | 22             |
| Profit and loss account             |       | <u>2,334</u>  | <u>3,395</u>   |
| <b>TOTAL EQUITY</b>                 |       | <u>2,368</u>  | <u>3,429</u>   |

The accounts on pages 9 to 22 were approved by the board of directors and authorised for issue on 20 December 2018 and are signed on its behalf by:



D McSweeney  
Director

STATEMENT OF CHANGES IN EQUITY  
at 30 September 2018

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>£'000 |
|---|---------------------------|---------------------------|--|----------------|
| <b>Balance at 1 October 2016</b>                                      | 12                        | 22                        | 4,017                                  | 4,051          |
| Profit for the year and<br>total comprehensive income<br>for the year | -                         | -                         | 878                                    | 878            |
| Transactions with owners in their<br>capacity as owners:              |                           |                           |  |                |
| Dividends   | -                         | -                         | (1,500)                                | (1,500)        |
| <b>Balance at 30 September 2017</b>                                   | 12                        | 22                        | 3,395                                  | 3,429          |
| Profit for the year and<br>total comprehensive income<br>for the year | -                         | -                         | 1,299                                  | 1,299          |
| Transactions with owners in their<br>capacity as owners:              |                           |                           |  |                |
| Dividends   | -                         | -                         | (2,360)                                | (2,360)        |
| <b>Balance at 30 September 2018</b>                                   | <u>12</u>                 | <u>22</u>                 | <u>2,334</u>                           | <u>2,368</u>   |

NOTES TO THE ACCOUNTS  
at 30 September 2018

**1. PRINCIPAL ACCOUNTING POLICIES**

**General Information**

BMT Hi-Q Sigma Limited ("the Company") is a private company limited by share capital, domiciled and incorporated in England.

The address of the Company's registered office is Goodrich House, 1 Waldegrave Road, Teddington, Middlesex, TW11 8LZ. The address of the Company's principal place of business is Berkeley House, The Square, Lower Bristol Road, Bath, BA2 3BH.

The Company's principal activities are set out on page 5.

**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.

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

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 statement of comprehensive income 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 company and is required in order to show a true and fair view.

**Non-going concern basis of accounting**

On 31 August 2018 the company ceased trading, following the sale of its trade and assets to BMT Defence and Security UK Ltd, a fellow subsidiary. As such, the directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. There have been no adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting.

**Reduced disclosures**

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

- 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.

The financial statements of the Company are consolidated in the financial statements of BMT Group Limited. The consolidated financial statements of BMT Group Limited are available from its registered office, Goodrich House, 1 Waldegrave Road, Teddington, Middlesex, TW11 8LZ.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Functional and Presentational Currencies**

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

**Foreign currencies**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

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.

**Turnover**

***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.

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.

The Company 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.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Tangible fixed assets**

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

|                                       |                            |
|---------------------------------------|----------------------------|
| Computer hardware and software        | 3 years                    |
| Fixtures, fittings & office equipment | 2 - 5 years                |
| Leasehold improvements                | over the term of the lease |

**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 Company estimates the recoverable amount of the asset.

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. Impairment losses are recognised in the statement of comprehensive income.

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 the statement of comprehensive income. 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.

**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 tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. 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 the foreseeable future. Deferred tax assets and liabilities recognised have not been discounted.

**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.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Retirement Benefits**

The group operates two multi-employer pension schemes in the UK, one being a defined benefit scheme (which was closed to future accrual with effect from 31 January 2011) and a second defined contribution scheme.

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.

The company accounts for contributions to the defined benefit scheme in accordance with FRS 102 Chapter 28 'Employee Benefits'. The company continues to contribute to the recovery plan of the defined benefit scheme. In accordance with the standard, the company treats contributions to the closed defined benefit scheme as though they were contributions to a defined contributions scheme. This is due to the underlying assets and liabilities of the defined benefit scheme covering a number of the group's UK undertakings and therefore, cannot be readily split between each undertaking on a consistent and reliable basis.

Full details of the pension scheme and the valuations are set out in the accounts of BMT Group Limited.

**Financial Instruments**

The Company 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 Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company 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.

*Basic Financial assets*

Basic financial assets, which include trade and other receivables which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

*Basic financial liabilities*

Basic financial liabilities, including trade and other payables and intercompany loans payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

**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 other operating charges in the period to which they relate.

**Research and development**

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



NOTES TO THE ACCOUNTS  
at 30 September 2018

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Dividends**

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

**Critical accounting estimates and assumptions**

The Company 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.

**2. TURNOVER**

Turnover comprises services sold net of value added tax. In the directors' opinion the company carried on a single continuing business.

An analysis of turnover by geographical market is given below:

|                      | 2018<br>£'000 | 2017<br>£'000 |
|----------------------|---------------|---------------|
| UK                   | 12,163        | 13,709        |
| Other European Union | -             | 37            |
| Rest of the world    | 62            | -             |
|                      | <u>12,225</u> | <u>13,746</u> |

**3. OPERATING PROFIT**

The operating profit is stated after charging:

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Auditor's remuneration – statutory audit of the company | 14            | 14            |
| – tax compliance services                               | 4             | 4             |
| Depreciation on owned assets                            | 73            | 94            |
| Operating lease rentals                                 | 113           | 135           |
|   | <u>194</u>    | <u>247</u>    |

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as shown in the table above.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**4. DIRECTORS' REMUNERATION**

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Emoluments for qualifying services          | 470           | 664           |
| Defined contribution pension contributions  | 53            | 99            |
|   | <u>523</u>    | <u>763</u>    |
| Highest paid director                       |               |               |
|   | 2018<br>£'000 | 2017<br>£'000 |
| Aggregate emoluments                        | 151           | 212           |
| Defined contribution pension contributions: | 10            | 30            |
|   | <u>161</u>    | <u>242</u>    |

Retirement benefits are accruing to no directors under a defined contribution scheme (2017: five).

**5. STAFF COSTS**

|                        | 2018<br>£'000 | 2017<br>£'000 |
|------------------------|---------------|---------------|
| Wages and salaries     | 5,057         | 6,169         |
| Social security costs  | 552           | 717           |
| Other pension costs    | 741           | 820           |
|                        | <u>6,350</u>  | <u>7,706</u>  |
| Profit sharing scheme: |               |               |
| Wages and salaries     | -             | -             |
| Social security costs  | -             | -             |
|                        | <u>6,350</u>  | <u>7,706</u>  |

On the 31 August 2018 all employees were transferred to BMT Defence and Security UK Limited from BMT Hi-Q Sigma Limited.

The average monthly number of employees during the period from 1 October 2017 to 31 August 2018 was made up as follows:

|                            | 2018<br>No. | 2017<br>No. |
|----------------------------|-------------|-------------|
| Scientific and technical   | 82          | 85          |
| Administration and support | 26          | 30          |
|                            | <u>108</u>  | <u>115</u>  |

NOTES TO THE ACCOUNTS  
at 30 September 2018

**6. NET INTEREST RECEIVABLE**

|                           | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------|---------------|---------------|
| Group interest receivable | <u>4</u>      | <u>11</u>     |

**7. TAXATION**

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Current tax:</b>                     |               |               |
| Payments in respect of group relief     | 305           | 490           |
| <b>Total current tax</b>                | <u>305</u>    | <u>490</u>    |
| <b>Deferred tax:</b>                    |               |               |
| Deferred tax charge current year        | 57            | -             |
| Deferred tax adjustment for prior years | (7)           | -             |
| Effect of changes in tax rates and laws | (6)           | -             |
| <b>Total deferred tax</b>               | <u>44</u>     | <u>-</u>      |
| <b>Tax on profit</b>                    | <u>349</u>    | <u>490</u>    |

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19%). The differences are explained below:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Profit before taxation   | <u>1,648</u>  | <u>1,368</u>  |
| Profit before taxation multiplied by the effective rate of UK corporation tax of 19% (2017: 19.5%) | 313           | 267           |
| Effects of:  |               |               |
| Payment for Group relief   | -             | 200           |
| Non deductible expenses  | -             | 2             |
| Adjustment for prior years   | (7)           | 12            |
| Effect of changes in tax rates and laws  | (6)           | 1             |
| Other tax adjustments  | 49            | 8             |
| <b>Total tax charge</b>  | <u>349</u>    | <u>490</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%, which is the rate that was substantively enacted at the year end.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**8. DIVIDEND**

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Ordinary Dividend paid – £194.80 per share (2017:<br>£123.81 per share) | 2,360         | 1,500         |

**9. TANGIBLE FIXED ASSETS**

|                       | Computers<br>£'000 | Fixtures,<br>fittings &<br>office<br>equipment<br>£'000 | Total<br>£'000 |
|-----------------------|--------------------|---|----------------|
| <b>Cost</b>           |                    |   |                |
| As at 1 October 2017  | 246                | 321   | 567            |
| Additions             | 1                  | -   | 1              |
| Disposals             | (31)               | (44)  | (75)           |
| Inter-group Transfers | (216)              | (277)   | (493)          |
|                       | <u>-</u>           | <u>-</u>  | <u>-</u>       |
| At 30 September 2018  | -                  | -   | -              |
| <b>Depreciation</b>   |                    |   |                |
| As at 1 October 2017  | 176                | 244   | 420            |
| Provided              | 31                 | 42  | 73             |
| Disposals             | (31)               | (45)  | (76)           |
| Inter-group Transfers | (176)              | (241)   | (417)          |
|                       | <u>-</u>           | <u>-</u>  | <u>-</u>       |
| At 30 September 2018  | -                  | -   | -              |
| <b>Net book value</b> |                    |   |                |
| At 30 September 2018  | <u>-</u>           | <u>-</u>  | <u>-</u>       |
| At 30 September 2017  | <u>70</u>          | <u>77</u>   | <u>147</u>     |

**10. DEBTORS**

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| Trade debtors                       | 430           | 3,167         |
| Amounts owed by group undertakings  | 2,190         | 267           |
| Other debtors                       | -             | 45            |
| Prepayments and accrued income      | 1             | 88            |
| Amounts recoverable under contracts | -             | 428           |
|                                     | <u>2,621</u>  | <u>3,995</u>  |

Other debtors includes a deferred tax asset of £nil (2017: £44,000) (note 12).

**NOTES TO THE ACCOUNTS**  
at 30 September 2018

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Income in advance                       | -             | 84            |
| Trade creditors                         | 124           | 326           |
| Amounts owed to group undertakings      | 305           | 353           |
| Other taxation and social security cost | 491           | 568           |
| Other creditors                         | 18            | 43            |
| Accruals and deferred income            | 20            | 1,096         |
|   | <u>958</u>    | <u>2,470</u>  |

**12. PROVISIONS FOR LIABILITIES**

Provision for deferred tax has been made as follows:

|                          | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------|---------------|---------------|
| Asset at start of period | 44            | 44            |
| Credit for the year      | <u>(44)</u>   | <u>-</u>      |
| Asset at end of period   | <u>-</u>      | <u>44</u>     |

Provision for deferred tax has been made as follows:

|   |          |           |
|---|----------|-----------|
| Excess of tax allowances over depreciation  | -        | 30        |
| Tax losses available (Note: recognise where suitable taxable profits will be generated in the future) | -        | 14        |
| Deferred tax asset at year end  | <u>-</u> | <u>44</u> |

**13. SALE OF BUSINESS AND DISCONTINUED OPERATIONS**

On 31 August 2018, BMT Defence and Security Limited acquired the trade and assets of BMT Hi-Q Sigma Limited. The cost of the acquisition comprised cash consideration of £2,390,000 which was equivalent to the net assets acquired. Hence there was no goodwill arising on acquisition.

At 31 August 2018, the assets acquired and liabilities assumed were recognised at their fair values to the company, as set out below:

|                       | £'000        |
|-----------------------|--------------|
| Tangible Fixed assets | 76           |
| Debtors               | 2,598        |
| Creditors             | <u>(284)</u> |
| Net assets            | <u>2,390</u> |
| Total consideration   | <u>2,390</u> |

NOTES TO THE ACCOUNTS  
at 30 September 2018

#### 14. SHARE CAPITAL AND RESERVES

##### *Share capital*

|                                   | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------------|---------------|---------------|
| Allotted, issued and fully paid:  |               |               |
| 12,115 ordinary shares of £1 each | <u>12</u>     | <u>12</u>     |

##### *Ordinary share rights*

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meeting of the Company.

##### *Reserves*

##### *Share premium*

Consideration received for shares issued above their nominal value net of transaction costs.

##### *Profit and loss reserve*

Cumulative profit and loss net of distributions to owners.

#### 15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for the pre-existing Hi-Q Systems employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £61k (2017: £76k).

The group operates two multi-employer pension schemes in the UK, a defined benefit scheme and a defined contribution scheme. The defined benefit scheme was closed future accrual with effect from 31 January 2011.

During the year the company contributed to these group pension schemes as follows:

|                             | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------|---------------|---------------|
| Defined benefit scheme      | 80            | 84            |
| Defined contribution scheme | 582           | 660           |
|                             | <u>662</u>    | <u>744</u>    |

The date of the latest actuarial valuation on the defined benefit scheme (The "BMT Pension and Life Assurance Scheme") operated by the group was undertaken on 6<sup>th</sup> April 2015. The current actuarial valuation is being prepared and agreed but has not yet been formally completed. Full details of the pension scheme and the valuation are set out in the accounts of BMT Group Limited.

NOTES TO THE ACCOUNTS  
at 30 September 2018

**16. FINANCIAL COMMITMENTS**

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

|                                | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>LAND &amp; BUILDINGS</b>    |               |               |
| Operating leases which expire: |               |               |
| Under one year                 | -             | 147           |
| Between two and five years     | -             | 360           |
| After 5 years                  | -             | 122           |
|                                | <hr/>         | <hr/>         |
|                                | -             | 629           |
|                                | <hr/>         | <hr/>         |

**17. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

**18. ULTIMATE PARENT UNDERTAKING**

BMT Group Limited, is the immediate parent, and is the smallest and largest group for which consolidated accounts including BMT Hi-Q Sigma Limited are prepared. Copies of the group accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party are the Trustees of the BMT Employee Benefit Trust.

**19. CONTINGENT LIABILITIES**

The company has given a limited composite guarantee in respect of the overdraft of certain other group companies. The maximum liability is limited to the net bank position of the company.

The company is included in the group VAT registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings unpaid debts in this connection.