

Company Number: 02326885

BMT Defence and Security UK Limited
REPORT AND ACCOUNTS

30 SEPTEMBER 2019

MONDAY



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COMPANIES HOUSE

DIRECTORS

J Berwick
S Kenny
D McSweeney

JOINT SECRETARIES

K Sellick
H Stone

AUDITOR

RSM UK Audit LLP
3rd Floor
One London Square
Cross Lanes
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Surrey
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BANKERS

Barclays Bank plc

SOLICITORS

Barlow, Lyde & Gilbert

REGISTERED OFFICE

1 Park Road
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TW11 0AP

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STRATEGIC REPORT

REVIEW OF THE BUSINESS

Following a legal restructuring of the business in 2018 (which resulted in BMT Defence and Security UK Ltd acquiring certain assets, liabilities and business from BMT Asset Performance Ltd and BMT Hi-Q Sigma Ltd to form a single UK business for BMT's Defence and Security business), the focus this year has been to embed new ways of working to realise the future long term profitability and growth ambitions of the business. The business delivered a profit before tax of £2.8m (2018: £3m) on a turnover of £66.3m (2018: £51.9m).

The directors remain committed to ensuring the long term success of the business and delivering sustainable growth operating in the defence and security markets in the UK and, in partnership with BMT's global defence and security businesses, to develop international opportunities. During the financial year, the company grew its order book and secured significant sales which included growth through its part in the UK MOD's Engineering Delivery Partner contract (a 10 year £-multi million contract secured in 2018). In September, the Arrowhead 140 team (led by Babcock with Thales and BMT support) was announced as Preferred Bidder to design and build the UK's Type-31 ships. Contract award is expected this calendar year. Other significant contracts won in the financial year included work in the Cyber, Police and Security markets, in line with the business strategy to invest in information and technology enabled services. The company continued to deliver on the Royal Navy's Type-45 destroyer Propulsion Improvement Programme, played a key role in the contract to deliver support to the MOD's Battlefield and Tactical Communications & Information Systems programme and delivered project and programme management services to enable the delivery of a transformation programme to the Metropolitan Police Service.

The company continued to invest in the professionalism of its people and in research and development aligned to its business strategy, focused on a broad range of digital technologies and services that enhance our core offerings and help build a sustainable future. Enabled by wider restructuring across BMT, the company will continue to pursue international opportunities by working with established BMT businesses overseas. Overall, the directors believe that the company is strongly positioned to return an ongoing solid financial performance in the year ahead and sustainable growth in the long term.

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.

KEY PERFORMANCE INDICATORS

Company performance against strategic targets for the year is as follows:

KPI Purpose	Target Description	Target	Achieved
Improve economic sustainability	Turnover	£64m	£66m
	Order Book (months of turnover)	8.5	10
	Receivables (weeks of turnover)	8	7
Meet stakeholders' expectations	Customer feedback	>95%	96%

STRATEGIC REPORT

DEVELOPMENT OF THE BUSINESS

Despite challenging market conditions and political uncertainty in the UK, the company is confident it can sustain further growth and develop a wide portfolio in the defence and security markets in the UK and continue to expand into new markets both in the UK and overseas. This 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.

PEOPLE

The company is an independent knowledge based organisation that sells its technology and 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:

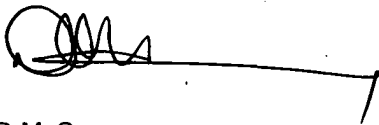
- encourage people to raise issues and concerns;
- provide clear guidance to all staff on the ethical standards required;
- ensure compliance with relevant legislation, including the 2010 Bribery Act; and
- increase transparency relating to the governance of the business.

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

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). Recommendations for improving efficiency are always considered and further improvements are expected each year.

By order of the Board,



D McSweeney
Director

10 December 2019.

DIRECTORS' REPORT

The directors submit their report and financial statements for BMT Defence and Security UK Limited, company number 02326885, for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The company is an engineering design and technology consultancy, working primarily in the defence sector.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,054k (2018: £2,462k) and a dividend of £3,000k (2018: £410k) was paid during the year.

RESEARCH AND DEVELOPMENT

The company is active in research and development and the company also benefits from significant investment in research and development over a wide range of technologies by BMT Group Limited.

DIRECTORS

The directors during the year were as follows:

J Berwick

S Kenny

D McSweeney

DONATIONS

During the year, the company made donations for charitable purposes totalling £4,458 (2018: £7,121).

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.

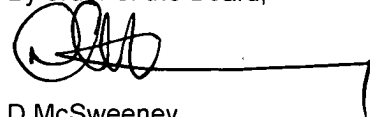
AUDITOR

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,



D McSweeney
Director

10 December 2019

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and the 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. state whether applicable 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 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 DEFENCE AND SECURITY UK LIMITED

Opinion

We have audited the financial statements of BMT Defence and Security UK Limited (the 'company') for the year ended 30 September 2019 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 2019 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.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMT DEFENCE AND
SECURITY UK LIMITED (CONTINUED)

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
One London Square
Cross Lanes
Guildford
Surrey GU1 1UN

20 December 2019

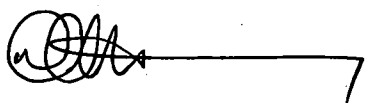
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	66,333	51,880
Raw materials and consumables		1,476	807
Other external charges		18,818	21,384
Staff costs	5	33,238	20,457
Depreciation		488	319
Other operating charges		<u>9,560</u>	<u>5,917</u>
OPERATING PROFIT		2,753	2,996
Interest receivable and similar income	6	187	228
Interest payable	7	<u>(153)</u>	<u>(188)</u>
PROFIT BEFORE TAXATION AND PROFIT SHARING SCHEME	3	2,787	3,036
Profit sharing scheme	5	<u>(243)</u>	<u>-</u>
PROFIT BEFORE TAXATION		2,544	3,036
Taxation	8	<u>(490)</u>	<u>(609)</u>
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		2,054	2,427
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,054</u>	<u>2,427</u>

STATEMENT OF FINANCIAL POSITION
at 30 September 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	10	<u>1,171</u>	<u>873</u>
CURRENT ASSETS			
Debtors	11	13,007	15,203
Cash at bank and in hand		<u>6,409</u>	<u>10,697</u>
		<u>19,416</u>	<u>25,900</u>
CREDITORS			
Amounts falling due within one year	12	<u>11,709</u>	<u>16,949</u>
NET CURRENT ASSETS		<u>7,707</u>	<u>8,951</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,878</u>	<u>9,824</u>
CAPITAL AND RESERVES			
Called up share capital	14	384	384
Profit and loss account		<u>8,494</u>	<u>9,440</u>
TOTAL EQUITY		<u>8,878</u>	<u>9,824</u>

The financial statements on pages 10 to 22 were approved by the board of directors and authorised for issue on 10 December 2019 and are signed on its behalf by:



D. McSweeney
Director

STATEMENT OF CHANGES IN EQUITY
at 30 September 2019

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 October 2017	384	7,423	7,807
Profit for the year and total comprehensive income for the year	-	2,427	2,427
Transactions with owners in their capacity as owners: Equity dividends paid	-	(410)	(410)
Balance at 30 September 2018	384	9,440	9,824
Profit for the year and total comprehensive income for the year	-	2,054	2,054
Transactions with owners in their capacity as owners: Equity dividends paid	-	(3,000)	(3,000)
Balance at 30 September 2019	<u>384</u>	<u>8,494</u>	<u>8,878</u>

NOTES TO THE ACCOUNTS
at 30 September 2019

1. PRINCIPAL ACCOUNTING POLICIES

General Information

BMT Defence and Security UK 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 1 Park Road, Teddington, Middlesex, TW11 0AP. The address of the Company's principal place of business is 210 Lower Bristol Road, Bath BA2 3DQ

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 on ordinary activities 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.

Reduced disclosures

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

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

Going Concern

At the time of approving the financial statement, the directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from time of approval. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements

NOTES TO THE ACCOUNTS
at 30 September 2019

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 the 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.

Construction contracts

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

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

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

NOTES TO THE ACCOUNTS
at 30 September 2019

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

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.

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:

Computers and instruments	3 - 7 years
Other equipment	3 - 7 years
Leasehold improvements	5 - 10 years

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.

NOTES TO THE ACCOUNTS
at 30 September 2019

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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, are initially recognised at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities

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

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.

NOTES TO THE ACCOUNTS
at 30 September 2019

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Research and development

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

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 the value of services provided 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:

	2019 £'000	2018 £'000
UK	65,305	49,563
Other European Union	325	76
Rest of the world	703	2,241
	<u>66,333</u>	<u>51,880</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2019 £'000	2018 £'000
Auditor's remuneration - statutory audit of the company	55	24
- taxation compliance services	38	8
Operating lease rentals	517	333
Depreciation on owned assets	488	319
Research and development taxation income	<u>(284)</u>	<u>(185)</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 2019

4. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Aggregate emoluments	-	379
Money purchase contributions	-	39
	<u>-</u>	<u>418</u>
Highest paid director:	2019 £'000	2018 £'000
Aggregate emoluments	-	73
Money purchase contributions	-	16
	<u>-</u>	<u>89</u>

Retirement benefits are accruing to no (2018: five) directors under a defined contribution pension scheme.

The directors received no remuneration for their services to the company as they are remunerated for their services to the group headed by BMT Group Limited as a whole and it is not possible to separately identify the element attributable to the company.

5. STAFF COSTS

	2019 £'000	2018 £'000
Wages and salaries	25,252	15,277
Social security costs	2,900	1,816
Other pension costs	5,086	3,364
	<u>33,238</u>	<u>20,457</u>
Profit sharing scheme:		
Wages and salaries	214	-
Social security costs	29	-
	<u>33,481</u>	<u>20,457</u>

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

	2019 No.	2018 No.
Scientific and technical	413	262
Administrative support	106	76
	<u>519</u>	<u>338</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Group interest receivable	<u>187</u>	<u>228</u>

NOTES TO THE ACCOUNTS
at 30 September 2019

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Group interest payable	153	188

8. TAXATION

	2019 £'000	2018 £'000
Current tax:		
Payments for group relief	375	535
UK Corporation tax charge	61	83
Adjustment for prior years	(30)	19
Overseas taxation	1	-
Total current tax	407	637
Deferred tax:		
Origination and reversal of timing differences	64	(68)
Adjustment for prior years	30	33
Effect of changes in tax rates and laws	(10)	7
Total deferred tax	84	(28)
Total tax on profit	491	609

	2019 £'000	2018 £'000
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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:

Profit before tax	2,544	3,036
Profit before tax multiplied by the effective rate of UK corporation tax of 19% (2018: 19%)	483	577
Effects of:		
Non-deductible expenses	18	17
Adjustment for prior years	-	52
Effect of changes in tax rates and laws	(9)	7
Payment/(receipt) for Group relief	-	-
Overseas taxation	-	-
Other tax adjustments	(1)	(44)
Total tax charge for the year	491	609

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 2019

9 DIVIDEND

	2019 £'000	2018 £'000
Final dividend paid – 781.25 pence per share (2018: 106.77 pence)	<u>3,000</u>	<u>410</u>

10 TANGIBLE FIXED ASSETS

	Computers & instruments £'000	Other equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2018	1,095	797	1,049	2,941
Additions	297	231	258	786
Disposals	(190)	(141)	(8)	(339)
At 30 September 2019	<u>1,202</u>	<u>887</u>	<u>1,299</u>	<u>3,388</u>
Depreciation				
At 1 October 2018	720	612	736	2,068
Charged in the year	250	120	118	488
Disposals	(190)	(141)	(8)	(339)
At 30 September 2019	<u>780</u>	<u>591</u>	<u>846</u>	<u>2,217</u>
Net book value				
At 30 September 2019	<u>422</u>	<u>296</u>	<u>453</u>	<u>1,171</u>
At 30 September 2018	<u>375</u>	<u>185</u>	<u>313</u>	<u>873</u>

11 DEBTORS

	2019 £'000	2018 £'000
Trade debtors	5,478	6,099
Amounts owed by group undertakings	344	2,751
Other debtors	443	450
Amounts recoverable under contracts	5,672	4,965
Prepayments and accrued income	<u>1,070</u>	<u>938</u>
	<u>13,007</u>	<u>15,203</u>

Other debtors include a deferred tax asset of £50,000 (2018: £134,000) (see note 13).

NOTES TO THE ACCOUNTS
at 30 September 2019

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	2,110	1,673
Income in advance	2,778	4,142
Amounts owed to group undertakings	1,062	6,368
Other taxation and social security	1,841	1,140
Corporation Tax	61	-
Accruals and deferred income	3,857	3,626
	<u>11,709</u>	<u>16,949</u>

13. PROVISIONS FOR LIABILITIES

Provision for deferred tax has been made as follows:

	2019 £'000	2018 £'000
Asset at 1 October	134	106
Transfer to the profit and loss account	<u>(84)</u>	<u>28</u>
Asset at 30 September	<u>50</u>	<u>134</u>
Deferred taxation provided in the financial statements is as follows:	2019 £'000	2018 £'000
Excess of tax allowances over depreciation	<u>50</u>	<u>134</u>

14. SHARE CAPITAL AND RESERVES***Share capital***

	2019 £'000	2018 £'000
Allotted, issued and fully paid: 384,000 Ordinary shares of £1 each	<u>384</u>	<u>384</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***Profit and loss reserve***

Cumulative profit and loss net of distributions to owners.

NOTES TO THE ACCOUNTS
at 30 September 2019

15. COMMITMENTS UNDER OPERATING LEASES

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

	2019 £'000	2018 £'000
Expiring within one year	559	678
Expiring between two to five years	1,050	1,251
Expiring after five years	48	168
	<u>1,657</u>	<u>2,097</u>

16. PENSION COMMITMENTS

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

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

	2019 £'000	2018 £'000
Defined benefits scheme	1,428	1,079
Defined contributions scheme	3,658	2,306
	<u>5,086</u>	<u>3,385</u>

Valuations were undertaken on the defined benefit scheme (The "BMT Pension and Life Assurance Scheme") operated by the group in April 2018. The current actuarial valuation is being prepared but has not been formally completed. Full details of the pension scheme and the valuation are set out in the accounts of BMT Group Limited.

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 Defence and Security UK 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 is included in the group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.