

Company Number: 02326885

BMT Defence and Security UK Limited
REPORT AND ACCOUNTS

30 SEPTEMBER 2020



DIRECTORS

S Kenny
D McSweeney

COMPANY SECRETARY

A Conway

AUDITOR

RSM UK Audit LLP
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STRATEGIC REPORT

BMT Defence and Security UK Limited ("the Company") is an engineering design and technology consultancy, working primarily in the defence sector in the UK.

STRATEGIC OBJECTIVES

The Company's vision, consistent with all companies owned by BMT Group Limited, is to be recognised in its core markets as the trusted partner at the intersection of science and engineering-led advice, solutions, and services, addressing its customers' most challenging needs.

The Company continues to prosecute its strategic priorities of:

1. Sustain the Core:
 - Success in our core market earns us the right to compete and grow.
 - Strategic focus through divestment of low performing elements of the portfolio.
2. Grow Through Collaboration:
 - Enabling all customers to benefit from the full range of BMT capabilities.
3. Invest in and Exploit Innovation:
 - Market led and customer focused innovation programmes in line with strategic objectives.

REVIEW OF THE BUSINESS

The focus this year has been to build on the strength of the focused UK defence and security business to realise the future long-term profitability and growth ambitions of the business. Previous year's investment in IT infrastructure and flexible ways of working, allowed the business to manage the impacts of the global pandemic while maintaining the health and well-being of our people and continuing to deliver our outputs to customers. The business delivered a profit before tax of £10.8m (2019: £2.8m) on a turnover of £74.9m (2019: £66.3m). The performance in the year is reflected in the improved cash balance of £11.9m (2019: £6.4m) and Net Assets of £12.1m (2019: £8.9m).

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 November, the Arrowhead 140 team (led by Babcock with Thales and BMT support) was awarded the contract to design and build the UK's Type-31 ships. Other significant contracts won in the financial year included work with the UK MOD's Defence Digital organisation and in the Cyber, Police and Security markets, in line with the business strategy to invest in diversification and in technology enabled services. The Company continued to deliver on the Royal Navy's Type-45 destroyer Propulsion Improvement Programme, supported the UK's in-service submarine fleet, 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.

STRATEGIC REPORT (Continued)

KEY PERFORMANCE INDICATORS

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

KPI Purpose	Target Description	Target	Achieved	Achieved 2019
Improve economic sustainability	Turnover	£78m	£75m	£66m
	Turnover per employee	£138k	£132k	£128k
	Order Book (months of turnover)	8	10	10
	Receivables (weeks of turnover)	11	8	7
Meet stakeholders' expectations	Customer feedback	>90%	99%	96%

PRINCIPAL RISKS AND UNCERTAINTIES

The principal business and financial risks facing the Company are:

- Short and long term impacts on staff health and well-being as a result of the global pandemic
- Ongoing uncertainty in the defence and security industry, as the government struggles to deal with the health and economic impacts of a global pandemic in parallel with EU exit.
- Shortage of suitably qualified and experienced people to meet the demands of a growing business
- Credit and liquidity risk. We assess the credit quality of each customer using a combination of external ratings agencies and past experience for trade and other receivables and we closely monitor payment performance both at individual project and client level.

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 to offer fulfilling, rewarding careers in a safe, supportive environment.

BMT Group Limited manages its investments, including BMT Defence and Security UK Limited ("the Company"), on a more functional basis. The principal risks facing the group as a whole and how they are managed are detailed in the consolidated accounts of BMT Group Limited in the Risks & Uncertainties section of the Strategic report.

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors. We describe how they have done so below by main stakeholder groups.

As part of the Board's decision-making process, the Board and applicable senior management consider the potential impact of decisions on relevant stakeholders whilst also having regard to broader factors, including the impact of the Company's operations on the community and environment, responsible business practices, reputational risks and the likely long-term consequences of its decisions.

STRATEGIC REPORT (Continued)

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT (continued)**COVID-19**

The COVID-19 pandemic has led to changes to how we have engaged with our stakeholders over the financial year with fewer or no in-person events and the advent of wide-scale home working. This had led to the use of more virtual engagement through videoconferencing or web-based communications in various forms. Throughout the pandemic the safety and wellbeing of our employees and everyone associated with our business has been the top priority.

Our Customers

The Board has defined long-term collaborative relationships with customers as a central part of our strategy, putting them at the heart of our vision and approach to innovation. Key Account Managers ensure the needs and voice of our customers is heard and understood in planning and decision making.

Our Suppliers

The Board recognise the importance of mutually beneficial relationships with suppliers in the successful delivery of our strategy. The Board also recognise the importance of delivering this success in a manner compliant with ethical business practices. To support both objectives, BMT seeks the continuous promotion of due diligence and the transparent application of our Supplier Code of Conduct. This helps suppliers to ensure they comply with all relevant policies, laws and regulations covering topics such as bribery, slavery, human rights and HSE and has placed particular emphasis on due diligence during this uncertain time of COVID-19. The Board periodically review and approve BMT's approach to supplier and customer engagement, actively taking a role in strategic decisions representing exceptionally high-risk to the business.

Our Industry Bodies

The Board emphasise a strategic approach to understanding industry relationships that create benefits for BMT. Promoting active participation in professional bodies and trade associations representative of the Company's broad range of technical disciplines, professional services and markets is a key enabler for BMT in shaping and influencing our industries, engaging with our customers, and supporting the professional development of our people.

Our Wider Community

The Board fully support community engagement and recognise the importance of delivering value and making a real difference to our local communities. Our approach to encouraging volunteering and engaging with charities and community partnerships creates real and enduring value for BMT and those we work with, in particular this year during the COVID-19 pandemic, where we have seen BMT employees going to great lengths to contribute to wider social challenges.

The Board also recognises the strategic importance of delivering value beyond profit, in particular within our local communities. Through committing our expertise in delivering cutting-edge environmental projects and minimising detrimental impacts of our operations, by inspiring the future workforce of BMT by supporting national and local initiatives such as STEM, we are targeting growth by focussing on a sustainable future.

Our employees

Our ability to deliver our strategy and the outcomes for our customers requires competent and empowered people working safely together across BMT. Actions the board has taken to position the business for profitable growth create long-term values for our employees as the beneficiaries of our Employee Benefit Trustee ownership model.

This year the focus on the employee has been at the forefront of decisions more than ever before, with wellbeing and career development recognised as vital enablers to the success of the organisation.

STRATEGIC REPORT (Continued)

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT (continued)**Our employees (continued)**

The Board has regularly sought to hear the voice of the employees through the BMT Employee Engagement Group and other less formal channels. The Board also support and listen to feedback obtained from senior leaders around the business to fully inform the rich picture of employee engagement where necessary.

Group pension scheme

The Company makes contributions to group defined benefit scheme (The "British Maritime Technology Pension and Life Assurance Scheme") that is accounted for by BMT Group Limited. Full details of the pension scheme, including its valuation and obligations, are set out in the accounts of BMT Group Limited.

Why they matter to us	Their issues	How BMT Engages with its stakeholders
Customers We aspire to be our customers' trusted partner helping to solve their most complex challenges	<ul style="list-style-type: none"> • Delivery • Safety • Innovation • Relationship 	<ul style="list-style-type: none"> • We build long-term customer relationships and collaborations to understand their needs and create enduring value
Employees The parent company is owned by an Employee Benefit Trust (EBT), we therefore strive to ensure our long-term sustainability for the people who drive our success - our employees.	<ul style="list-style-type: none"> • Remuneration and reward • Learning and development • Health and Safety • Diversity & Inclusion (D&I) • Wellbeing 	<ul style="list-style-type: none"> • Global Induction • Comprehensive learning and development opportunities • Career framework • Globally benchmarked remuneration and benefits • Employee Engagement Group • D&I and Wellbeing strategies
Industry bodies We maintain positive and constructive relationships with industry bodies to be able to understand, shape and influence our industries	<ul style="list-style-type: none"> • Regulations, policies, and standards • Thought leadership • Skills deficit 	<ul style="list-style-type: none"> • Memberships & In-kind support • Employees actively engaged in meetings and committees • Technical papers • Promoting professional accreditation and memberships
Supply chains Our suppliers are critical enablers of the effective delivery of our business and vital partners in ensuring compliance and minimising impacts	<ul style="list-style-type: none"> • Long term relationships • Timely payment • Clear parameters 	<ul style="list-style-type: none"> • Good working relationships • Prompt payment • Supplier Code of Conduct • Supplier due diligence

STRATEGIC REPORT (Continued)

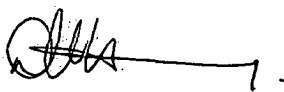
SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT (continued)

Why they matter to us	Their issues	How BMT Engages with its stakeholders
Communities We understand that we depend on the communities where we operate and have a responsibility towards them.	<ul style="list-style-type: none"> • Employment • Health & Safety • Environment • Community investment • Education 	<ul style="list-style-type: none"> • Sponsorship • Charity and volunteering • University partnerships • STEM Ambassadors

FUTURE DEVELOPMENT OF THE BUSINESS

Despite challenging market and operating conditions 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.

By order of the Board,



D K McSweeney
 Director
 22 December 2020

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 2020.

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 £8,718k (2019: £2,054k) and total dividends of £5,500k were paid during the year (2019: £3,000k).

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:

S L Kenny

D K McSweeney

J M Berwick

(Resigned 14 February 2020)

COVID-19

On 11 March 2020, the World Health Organisation declared the global COVID-19 situation a pandemic. On 23 March 2020, the Prime Minister of the UK instructed British people to stay at home, other than for four specific and limited reasons. There remains significant uncertainty as to the extent and duration of the global economic impact. The directors are constantly monitoring the situation and are taking all necessary steps to minimise the impact on the business.

STRATEGIC REPORT

The Company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management. The information given to meet the requirements of s172 in the Companies Act 2006 has also been included as a separate statement within the strategic report.

ENERGY CARBON REPORTING

Information about the group's Streamlined Energy Carbon Reporting can be found in the consolidated accounts of BMT Group Limited. Data reported there includes data for the Company. In accordance with the Companies Act 2006, and SI 2008/410 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' Sch. 7.20A(2)(a) the Company has chosen not to present details of its Emissions and Energy consumption separately in these accounts.

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.

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

DIRECTORS' REPORT (Continued)

PEOPLE (continued)

We recognise the importance of communicating effectively with our staff through many channels including our intranet and digital media. Business performance is shared monthly with staff via a performance dashboard on the corporate intranet.

Ethics are a defining feature of our corporate culture and all employees are required to conduct themselves in accordance with 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 strive to set exemplary standards of equality, diversity and inclusion. Our policy framework seeks to ensure that people are treated equally, regardless of their gender, race, colour, age, disability, sexual orientation, religious beliefs, nationality, type of employment or marital status. It applies to all aspects of employment and is reinforced through the promotion of diversity and inclusion strategy and awareness raising activities throughout our business.

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

Health Safety and Environment ("HS&E")

As well as integrating Health and Safety into our everyday work environment, we strive to work with our clients and supply chains to continuously and collectively improve HS&E performance; thus, enabling HS&E to be fully integrated in the way that we make decisions and conduct our business.

We take extra measures to safeguard workers who might be more vulnerable to the risk of work-related injury or ill health, such as workers facing language barriers or having visual or hearing impairments. All our training contains subtitles with no time limits, so individuals can read and undertake Health and Safety training at their own pace. Moving forward employees will also have access to an app which will support those who are visually impaired or colour blind.

As well as training, qualified Health and Safety representatives and fire wardens are accessible in all our offices. These personnel have a responsibility to undertake specific needs risk assessments for people with physical or learning difficulties, young persons (under 18), new mothers and pregnant women. Our wardens and representatives are supported by qualified Health and Safety Leadership.

Employee wellbeing

At BMT we aim to integrate wellbeing into all work activities and practices, creating a positive environment that is compatible with promoting staff engagement, performance, and achievement.

DIRECTORS' REPORT (Continued)

PEOPLE (continued)

Employee wellbeing

Our global approach concerns 5 key topics:

- Health - this includes employee mental, physical, and financial health
- Work - having good line management, health and safety at work, improving our working environments
- Values - living our values, understanding our purpose, the direction of the organisation, diversity, and inclusion
- Collaborative - ensuring we have employee voice, and have positive working relationships
- Personal Growth - effective performance management, personal development discussions, access to learning and development

As well as equipping our employees with adequate resources, to manage the wellbeing of themselves, and their colleagues, we also closely monitor Employee Absentee rates across our different departments.

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.

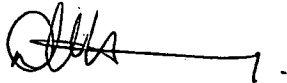
AUDITOR

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 K McSweeney
Director
22 December 2020

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.

Opinion

We have audited the financial statements of BMT Defence and Security UK Limited (the 'company') for the year ended 30 September 2020 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 2020 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 or 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 11, 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
3rd Floor, One London Square
Cross Lanes
Guildford
Surrey GU1 1UN

24 December 2020

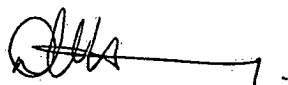
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	74,854	66,333
Raw materials and consumables		(1,006)	(1,476)
Other external charges		(18,096)	(18,818)
Staff costs	5	(35,857)	(33,238)
Depreciation		(533)	(488)
Other operating charges		<u>(8,611)</u>	<u>(9,560)</u>
OPERATING PROFIT		10,751	2,753
Interest receivable and similar income	6	21	187
Interest payable and similar charges	7	<u>-</u>	<u>(153)</u>
PROFIT BEFORE BMT PROFIT SHARING SCHEME AND TAXATION		10,772	2,787
BMT profit sharing scheme	5	<u>-</u>	<u>(243)</u>
PROFIT BEFORE TAXATION		10,772	2,544
Taxation	8	<u>(2,054)</u>	<u>(490)</u>
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		8,718	2,054
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,718</u>	<u>2,054</u>

STATEMENT OF FINANCIAL POSITION
at 30 September 2020

	Notes.	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible assets	10	<u>1,015</u>	<u>1,171</u>
CURRENT ASSETS			
Debtors	11	12,829	13,007
Cash at bank and in hand		<u>11,917</u>	<u>6,409</u>
		24,746	19,416
CREDITORS			
Amounts falling due within one year	12	<u>(13,665)</u>	<u>(11,709)</u>
NET CURRENT ASSETS		<u>11,081</u>	<u>7,707</u>
NET ASSETS		<u>12,096</u>	<u>8,878</u>
CAPITAL AND RESERVES			
Called up share capital	14	384	384
Profit and loss account		<u>11,712</u>	<u>8,494</u>
TOTAL EQUITY		<u>12,096</u>	<u>8,878</u>

The financial statements on pages 15 to 27 were approved by the board of directors and authorised for issue on 22 December 2020 and are signed on its behalf by:



D. K. McSweeney
Director

STATEMENT OF CHANGES IN EQUITY
at 30 September 2020

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 October 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	384	8,494	8,878
Profit for the year and total comprehensive income for the year	-	8,718	8,718
Transactions with owners in their capacity as owners: Equity dividends paid	-	(5,500)	(5,500)
Balance at 30 September 2020	<u>384</u>	<u>11,712</u>	<u>12,096</u>

NOTES TO THE ACCOUNTS
at 30 September 2020

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 8.

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.

The Company has applied FRS102 (March 2018) in these financial statements, which includes the amendments as a result of the Triennial Review 2017. There is no material impact from the adoption of these amendments.

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

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' – Interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial asset not derecognised, loan defaults or breaches, and descriptions of hedging relationships.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

Going Concern

The emergence of the COVID-19 virus in December 2019, followed by the declaration of a global pandemic by the World Health Organisation in March 2020, presents a continuing situation which is being managed in line with our policies as a risk to the company.

NOTES TO THE ACCOUNTS
at 30 September 2020

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going Concern (continued)

During 'lockdown' the company has taken various measures to protect its staff, customers and business. These include requiring some office based staff to work from home.

The company remains in a strong position due to the long term relationships in place with the principal customers, combined with a robust balance sheet and no external debt.

On the basis of the above, at the time of approving the financial statements, the directors have considered forecasts of trading and cash flows for the company and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least the next 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis.

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.

NOTES TO THE ACCOUNTS
at 30 September 2020

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Construction contracts

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

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

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

The 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.

NOTES TO THE ACCOUNTS
at 30 September 2020

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE ACCOUNTS
at 30 September 2020

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Basic Financial assets

Basic financial assets, which include trade and other receivables, are initially recognised at transaction price including transaction costs and are subsequently carried at amortised cost 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.

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:

	2020 £'000	2019 £'000
UK	74,205	65,305
Other European Union	145	325
Rest of the world	504	703
	<u>74,854</u>	<u>66,333</u>

NOTES TO THE ACCOUNTS
at 30 September 2020

3. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Auditor's remuneration - statutory audit of the Company	55	55
- taxation compliance services	-	38
Other operating income	(232)	(250)
Operating lease rentals	660	517
Depreciation on owned assets	533	488
Research and development taxation income	<u>(299)</u>	<u>(284)</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.

4. DIRECTORS' REMUNERATION

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

	2020 £'000	2019 £'000
Wages and salaries	27,684	25,252
Social security costs	2,830	2,900
Other pension costs	<u>5,343</u>	<u>5,086</u>
	35,857	33,238
Profit sharing scheme:		
Wages and salaries	-	214
Social security costs	<u>-</u>	<u>29</u>
	<u>35,857</u>	<u>33,481</u>

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

	2020 No.	2019 No.
Scientific and technical	447	413
Administrative support	<u>120</u>	<u>106</u>
	<u>567</u>	<u>519</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Group interest receivable	<u>21</u>	<u>187</u>

NOTES TO THE ACCOUNTS
at 30 September 2020

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £'000	2019 £'000
Group interest payable	<u>-</u>	<u>153</u>

8. TAXATION

	2020 £'000	2019 £'000
Current tax:		
Payments for group relief	1,973	375
UK Corporation tax charge	43	61
Adjustment for prior years	-	(30)
Overseas taxation	-	1
Total current tax	<u>2,016</u>	<u>407</u>
Deferred tax:		
Origination and reversal of timing differences	42	64
Adjustment for prior years	2	30
Effect of changes in tax rates and laws	(6)	(10)
Total deferred tax	<u>38</u>	<u>84</u>
Total tax on profit	<u>2,054</u>	<u>491</u>

	2020 £'000	2019 £'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	<u>10,773</u>	<u>2,544</u>
Profit before tax multiplied by the effective rate of UK corporation tax of 19% (2019: 19%)	<u>2,047</u>	<u>483</u>
Effects of:		
Non-deductible expenses	11	18
Adjustment for prior years	2	-
Effect of changes in tax rates and laws	(6)	(9)
Other tax adjustments	-	(1)
Total tax charge for the year	<u>2,054</u>	<u>491</u>

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19% (2019:17%). Previously, the substantively enacted rate for balances that will be realised or settled after 1 April 2020 was 17%, however on 17 March 2020 a resolution having statutory effect was passed setting the corporation tax rate at 19% from 1 April 2020.

NOTES TO THE ACCOUNTS
at 30 September 2020

9 DIVIDEND

	2020 £'000	2019 £'000
Interim dividend paid – 781.25 pence per share (2019: nil)	3,000	-
Final dividend paid in relation to 2019 – 651.04 pence per share (in relation to 2018: 781.25 pence per share)	<u>2,500</u>	<u>3,000</u>
	<u>5,500</u>	<u>3,000</u>

10 TANGIBLE FIXED ASSETS

	Computers & instruments £'000	Other equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2019	1,202	887	1,299	3,388
Additions	254	61	63	378
Disposals	(162)	(28)	(35)	(225)
	<u>1,294</u>	<u>920</u>	<u>1,327</u>	<u>3,541</u>
At 30 September 2020				
Depreciation				
At 1 October 2019	780	591	846	2,217
Charged in the year	282	123	128	533
Disposals	(162)	(28)	(34)	(224)
	<u>900</u>	<u>686</u>	<u>940</u>	<u>2,526</u>
At 30 September 2020				
Net book value				
At 30 September 2020	<u>394</u>	<u>234</u>	<u>387</u>	<u>1,015</u>
At 30 September 2019	<u>422</u>	<u>296</u>	<u>453</u>	<u>1,171</u>

11 DEBTORS

	2020 £'000	2019 £'000
Trade debtors	7,142	5,478
Amounts owed by group undertakings	445	344
Other debtors	58	393
Corporation tax receivable	471	-
Deferred tax asset	12	50
Amounts recoverable under contracts	3,447	5,672
Prepayments and accrued income	<u>1,254</u>	<u>1,070</u>
	<u>12,829</u>	<u>13,007</u>

NOTES TO THE ACCOUNTS
at 30 September 2020

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	1,651	2,110
Income in advance	2,897	2,778
Amounts owed to group undertakings	3,167	1,062
Other taxation and social security	2,355	1,841
Corporation tax	-	61
Accruals and deferred income	3,595	3,857
	<u>13,665</u>	<u>11,709</u>

13 DEFERRED TAXATION

	2020 £'000	2019 £'000
At 1 October	50	134
Transfer from profit and loss	(38)	(84)
At 30 September	<u>12</u>	<u>50</u>
The deferred tax asset comprises:	2020 £'000	2019 £'000
- short term timing differences	30	-
- capital allowances in excess of depreciation	(18)	50
	<u>12</u>	<u>50</u>

14 SHARE CAPITAL AND RESERVES

Share capital

	2020 £'000	2019 £'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 2020

15 COMMITMENTS UNDER OPERATING LEASES

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

	2020 £'000	2019 £'000
Expiring within one year	417	559
Expiring between two to five years	1,112	1,050
Expiring after five years	-	48
	<u>1,529</u>	<u>1,657</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:

	2020 £'000	2019 £'000
Defined benefits scheme	1,494	1,428
Defined contributions scheme	<u>3,849</u>	<u>3,658</u>
	<u>5,343</u>	<u>5,086</u>

Valuations were undertaken on the defined benefit scheme (The "British Maritime Technology Pension and Life Assurance Scheme") operated by the group in April 2018. 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. The potential exposure under this arrangement for the Company at 30 September 2020 is £3,821k (2019: £1,571k).