

# **BMT Group Ltd Directors' Reports and Accounts 2017**

**Company No: 1887373**

Accounting Date:  
30 September 2017

WEDNESDAY



A05 \*A78YEDDM\* #72  
27/06/2018  
COMPANIES HOUSE

**DIRECTORS**

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

**COMPANY SECRETARY & GENERAL COUNSEL**

Mrs T M Grey

**AUDITOR**

RSM UK Audit LLP, Chartered Accountants

**SOLICITORS**

Freshfields Bruckhaus Deringer LLP  
Stevens & Bolton LLP

**PRINCIPAL BANKERS**

Barclays Bank Plc  
HSBC Bank Plc  
SunTrust Bank Inc

**REGISTERED OFFICE**

Goodrich House  
1 Waldegrave Road  
Teddington  
TW11 8LZ  
United Kingdom

**COMPANY NO.**

1887373

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## **STRATEGIC REPORT**

BMT is one of the world's leading independent maritime design, engineering and management consultancies. The Company is employee-owned through the BMT Employee Benefit Trust.

### **STRATEGIC OBJECTIVES**

The Board has developed a strategic framework based on four key objectives, as summarised below:

- market positioning: keep delighting our customers to win increasing amounts of work;
- knowledge and intellectual capital: exploit and continue to invest in innovation;
- operational excellence: continuous improvement of our organisational effectiveness and efficiency; and
- financial strength: achieving consistent growth in our profit and retained earnings.

By realising these objectives, we seek to maintain and develop a sustainable, profitable and competitive business, supported by a diverse customer base. Our key performance indicators are revenue, which we aim to increase each year, and underlying operating profit margin, which we aim to migrate to a level appropriate to a business operating within high-value consulting sectors of Defence, Environment, Critical Infrastructure and Commercial Shipping.

### **REVIEW OF THE BUSINESS**

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

Turnover has risen by 3.4% to £172.4m (2016: £166.7m) and underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has fallen by 4.3% to £9.6m (2016: £10.2m). We did not achieve our objective of improving the underlying EBITDA margin during this financial year but at 5.6% (2016: 6.2%) the outcome is satisfactory given the tough market conditions overall. The challenging markets are likely to continue and we have invested further in the Digital Ship initiative, where BMT SMART Limited's loss before tax was £1.3m (2016: £1.4m), and look forward to the significant opportunities this is likely to bring in future years. Given these circumstances, we believe that our current strategic priority of right sizing the business, whilst continuing to invest in our research and development, remain appropriate and we will continue to pursue them.

## FINANCIAL HIGHLIGHTS

	2017 £'000	2016 £'000
<b>Turnover</b>	<u>172,352</u>	<u>166,745</u>
<b>Total Profit Reconciliation</b>		
<b>Underlying EBITDA before the following items:</b>	<b>9,602</b>	<b>10,281</b>
Performance related bonuses in year	(3,845)	(3,788)
<b>EBITDA</b>	<u>5,757</u>	<u>6,493</u>
Depreciation, amortisation and impairment	(3,697)	(5,159)
<b>Group operating profit</b>	<u>2,060</u>	<u>1,334</u>
<b>Key Performance Indicators</b>		
Underlying EBITDA margin on turnover	5.6%	6.2%
Turnover per employee	£118,863	£111,386
The average number of employees were:	1,450	1,497

### Assets and investments

BMT Group's fixed asset investments comprise managed funds with exposure to mainly bond markets.

Impairment provisions of £0.2m (2016: £1.2m) have been made against goodwill.

## PEOPLE

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

Employee engagement is encouraged in a number of ways and the Employee Engagement Index is a pleasing 77 out of 100. BMT Group was ranked 153 of 250 in the 2016 survey "Britain's leading private mid-market growth companies" and has been recognised as a leading innovator in a number of countries over the last financial year.

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

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

We are an equal opportunity employer and our Equality and Diversity Policy seeks to ensure that people are treated equally, regardless of their gender, race, colour, age, disability, sexual orientation, religious beliefs, nationality or marital status. It applies to all aspects of employment and is reinforced through the promotion of diversity awareness throughout our business.

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

## ENVIRONMENTAL MATTERS

The group takes a responsible attitude towards the environment. Most of our direct environmental impacts relate to the running of our offices and to business travel. We are actively managing the CO<sub>2</sub> emissions associated with both these activities in order to improve year on year.

We participate proactively in the new UK Energy Savings Opportunity Scheme (ESOS). BMT is meeting its obligations and reporting energy consumption over a 12 month period for all its UK activities and recent audit recommendations for improving efficiency are being implemented.

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

## RISKS & OPPORTUNITIES

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

### Key risks are:

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

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

**Opportunities:**

There are a number of opportunities and developments which the group is pursuing to provide commercial returns in the future. These are spread across the main markets and geographic regions in which we operate. Further information on the group's main markets, services and geographical locations can be found on its website at <http://www.bmt.org>.

**LOOKING FORWARD**

The Group is well positioned for growth in its core markets. Despite the uncertainties surrounding the UK's exit from the EU, current macroeconomic indications and recent contract awards provide a good degree of growing confidence such that we expect the business environment to be improving and the overall outlook for BMT remains good for the foreseeable future.

As approved by the Board and signed on its behalf:



T M Grey  
Company Secretary  
19 December 2017

## DIRECTORS' REPORT

The directors submit their report, the Strategic Report and financial statements for BMT Group Ltd, company registration number 1887373 and the group, for the year ended 30 September 2017. Details of the financial management objectives of the group have been included in the Strategic Report.

### DIRECTORS

The directors during the year were:

Sir J A Hood, KNZM	(Chairman)	
Mrs S L Kenny*	(Chief Executive)	(Appointed 1 August 2017)
Mr I R Davies	(Deputy Chairman)	
Mrs W J Barnes		
Mr D K McSweeney		
Mr C M Packshaw		
Professor M H Patel		
Mr R Adam		(Appointed 1 May 2017)
Mr P D French**		(Resigned 31 July 2017)

*\*Mrs S L Kenny joined the business as Chief Executive, on 1 August 2017, from QinetiQ, where she led the Maritime, Land & Weapons business as Managing Director.*

*\*\*Mr P D French retired as the Chief Executive and Director of the Board on 31 July 2017 after 25 years of service.*

### BMT EMPLOYEE BENEFIT TRUST

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

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

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

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

### RESULTS AND PROFIT SHARING

The financial highlights are set out in the Strategic Report. Group operating profit before employee performance related bonuses was £5.9m (2016: £4.8m) and the group profit sharing scheme is £nil (2016: £nil)

### EMPLOYEES

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

### PRINCIPAL ACTIVITIES

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



## **CORPORATE GOVERNANCE**

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

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

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

## **DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE ACCOUNTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounts Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

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

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

## **AUDITOR AND STATEMENT OF DISCLOSURE**

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

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

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

## **HEALTH AND SAFETY**

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

Signature: 

By order of the Board

T M Grey

Secretary, 19 December 2017

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

### *Opinion*

We have audited the financial statements of BMT Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2017 which comprise the Consolidated Profit & Loss Account, Statement of Other Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Conclusions relating to going concern*

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

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

### *Other information*

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Opinions on other matters prescribed by the Companies Act 2006*

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

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

*Responsibilities of directors*

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

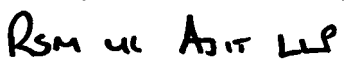
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend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

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: 

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

22 December 2017

CONSOLIDATED PROFIT AND LOSS ACCOUNT & STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2017 £'000	2016 £'000
<b>Group turnover</b>	2	172,352	166,745
<b>Group operating costs</b>	3	<u>(170,292)</u>	<u>(165,411)</u>
<b>Group operating profit</b>	4	2,060	1,334
Fair value loss on investment properties		<u>-</u>	<u>(250)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		2,060	1,084
Fixed asset investments:			
- Fair value (loss)/gain	13	(58)	210
- Income and gains		-	1,490
Net interest payable	9	<u>(1,089)</u>	<u>(764)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE BMT PROFIT SHARING SCHEME &amp; TAX</b>		913	2,020
BMT profit sharing scheme		<u>-</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		913	2,020
Tax on profit on ordinary activities	10	<u>(373)</u>	<u>(2,981)</u>
<b>PROFIT/(LOSS) AFTER TAX RETAINED FOR THE YEAR</b>		540	(961)
<b>Statement of Other Comprehensive income/(loss):</b>			
<i>Movement on pension schemes</i>			
Return on scheme assets (excluding amount included in net interest expense)		3,828	12,487
Actuarial gains/(losses) on liabilities		12,914	(39,534)
Movement in deferred tax relating to actuarial gain/(loss) on pensions		(2,853)	4,062
Exchange movement on foreign pensions		39	(283)
		<u>13,928</u>	<u>(23,268)</u>
Unrealised net exchange movement on foreign equity investments		(86)	2,964
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR</b>		<u>14,382</u>	<u>(21,265)</u>

CONSOLIDATED BALANCE SHEET

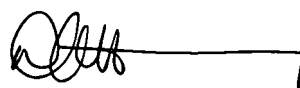
Company No: 1887373

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Goodwill	11	946	1,878
Other intangible assets	11	64	192
Tangible assets	12	15,000	16,780
Investments	13	5,607	5,552
		<u>21,617</u>	<u>24,402</u>
<b>CURRENT ASSETS</b>			
Stock		909	682
Debtors			
amounts falling due within one year	14	53,892	56,355
amounts falling due after one year	14	8,876	11,944
Cash at bank and in hand	15	25,086	21,604
		<u>88,763</u>	<u>90,585</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>42,602</u>	<u>43,602</u>
<b>NET CURRENT ASSETS</b>		<u>46,161</u>	<u>46,983</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		67,778	71,385
<b>CREDITORS: amounts falling due after more than one year</b>	17	2,458	2,942
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	<u>1,249</u>	<u>1,262</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		64,071	67,181
Defined Benefit pension liability	20	<u>32,404</u>	<u>49,896</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>31,667</u>	<u>17,285</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	21	53,587	53,769
Other reserves - Pension	21	(26,627)	(41,212)
Other reserves - Fixed assets	21	4,707	4,728
<b>TOTAL FUNDS</b>		<u>31,667</u>	<u>17,285</u>

The accounts on pages 11 to 45 were approved by the Board of Directors and authorised for issue on 19 December 2017 and are signed on its behalf by:



S L Kenny  
Director



D K McSweeney  
Director

PARENT COMPANY BALANCE SHEET

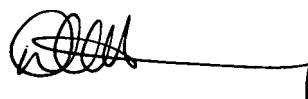
Company No: 1887373

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	8,211	9,072
Investments	13	<u>24,171</u>	<u>25,300</u>
		<u>32,382</u>	<u>34,372</u>
<b>CURRENT ASSETS</b>			
Debtors			
amounts falling due within one year	14	9,174	7,937
amounts falling due after one year	14	15,918	23,843
Cash at bank and in hand		<u>10,264</u>	<u>7,617</u>
		<u>35,356</u>	<u>39,397</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>9,351</u>	<u>8,179</u>
<b>NET CURRENT ASSETS</b>		<u>26,005</u>	<u>31,218</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		58,387	65,590
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	<u>660</u>	<u>367</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		57,727	65,223
Defined benefit pension liability	20	<u>30,826</u>	<u>47,656</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>26,901</u>	<u>17,567</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	21	47,996	52,609
Other reserves - Pension	21	(25,586)	(39,554)
Other reserves - Fixed assets	21	2,879	2,900
Other reserves - Investment Properties	21	<u>1,612</u>	<u>1,612</u>
<b>TOTAL FUNDS</b>		<u>26,901</u>	<u>17,567</u>

The company's loss for the year and total comprehensive income for the year were £3,849,000 and £12,028,000 respectively. The accounts on pages 11 to 45 were approved by the Board of Directors and authorised for issue on 19 December 2017 and are signed on its behalf by:



S L Kenny  
Director



D K McSweeney  
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Profit and loss account £'000	Defined Benefit Pension reserve £'000	Other reserves- Fixed Assets £'000	Other reserves- Investment property £'000	Total £'000
Balance at 1 October 2015	52,586	(18,989)	4,749	204	38,550
Loss for the year	(961)	-	-	-	(961)
Other comprehensive income:					
Loss on defined benefit pension plans	-	(23,268)	-	-	(23,268)
Unrealised net exchange movement on foreign equity investments	2,964	-	-	-	2,964
Total Comprehensive Income	2,003	(23,268)	-	-	(21,265)
Transfer between reserves:					
Pension Costs	(1,045)	1,045	-	-	-
Valuation of Investment Property	204	-	-	(204)	-
Excess depreciation	21	-	(21)	-	-
Total movements in the year	1,183	(22,223)	(21)	(204)	(21,265)
Balance at 30 September 2016	53,769	(41,212)	4,728	-	17,285
Profit for the year	540	-	-	-	540
Other comprehensive income:					
Gain on defined benefit pension plans	-	13,928	-	-	13,928
Unrealised net exchange movement on foreign equity investments	(86)	-	-	-	(86)
Total Comprehensive Income	454	13,928	-	-	14,382
Transfer between reserves:					
Pension Costs	(657)	657	-	-	-
Excess depreciation	21	-	(21)	-	-
Total movements in the year	(182)	14,585	(21)	-	14,382
Balance at 30 September 2017	53,587	(26,627)	4,707	-	31,667

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Profit and loss account £'000	Defined benefit pension scheme £'000	Other reserves- Fixed Assets £'000	Other reserves- Investment property £'000	Total £'000
Balance at 1 October 2015	49,100	(17,950)	2,921	1,862	35,933
Profit for the year	4,172	-	-	-	4,172
Other comprehensive income:					
Loss on defined benefit pension plan	-	(22,538)	-	-	(22,538)
Total Comprehensive Income	4,172	(22,538)	-	-	(18,366)
Transfer between reserves:					
Valuation of investment property	250	-	-	(250)	-
Pension scheme	(934)	934	-	-	-
Excess depreciation	21	-	(21)	-	-
Total movements in the year	3,509	(21,604)	(21)	(250)	(18,366)
Balance at 30 September 2016	52,609	(39,554)	2,900	1,612	17,567
Loss for the year	(3,849)	-	-	-	(3,849)
Other reserve movement	(176)				(176)
Other comprehensive income:					
Gain on defined benefit pension plan	-	13,359	-	-	13,359
Total Comprehensive Income	(4,025)	13,359	-	-	9,334
Transfer between reserves:					
Valuation of investment property	-	-	-	-	-
Pension scheme	(609)	609	-	-	-
Excess depreciation	21	-	(21)	-	-
Total movements in the year	(4,613)	13,968	(21)	-	9,334
Balance at 30 September 2017	47,996	(25,586)	2,879	1,612	26,901



CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash generated from/(used in) operations on page 17	6,955	(1,998)
Interest paid	(116)	(135)
Income taxes paid	(391)	(629)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<u>6,448</u>	<u>(2,762)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of investment property	650	-
Sale of fixed asset investments	-	5,915
Purchase of tangible fixed assets	(1,932)	(2,514)
Proceeds on disposal of tangible fixed assets	326	-
Proceeds on disposal of investments	25	-
Interest and similar income received	53	209
<b>NET CASH FROM (USED) IN/FROM INVESTING ACTIVITIES</b>	<u>(878)</u>	<u>3,610</u>
<b>BMT PROFIT SHARING SCHEME PAYMENT</b>	<u>-</u>	<u>-</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>	<u>5,570</u>	<u>848</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of short term loans	(1,776)	(2,058)
<b>NET CASH (USED IN) / FROM FINANCING ACTIVITIES</b>	<u>(1,776)</u>	<u>(2,058)</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<u>3,794</u>	<u>(1,210)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>17,138</u>	<u>18,348</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>20,932</u>	<u>17,138</u>
Relating to:-		
Bank balances and short term deposits included in cash at bank and in hand	25,086	21,604
Overdrafts included in "creditors: amounts falling due within one year"	(4,154)	(4,466)
	<u>20,932</u>	<u>17,138</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 £'000	2016 £'000
<b>RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM (USED IN) OPERATIONS</b>		
Profit/(Loss) after tax	540	(961)
Adjustments for:		
Depreciation of tangible fixed assets	2,708	2,734
Amortisation & impairment of intangible assets and goodwill	989	2,425
Loss on disposal of tangible fixed assets	17	63
Contributions paid into defined benefit pension schemes	(2,460)	(2,288)
Payment of legacy provision	-	(87)
Fair value losses/(gains) on investment properties	-	250
Fair value losses/(gains) on investments	58	(210)
Income and gains from fixed asset investments	-	(1,490)
Interest payable	1,089	764
Taxation	373	2,981
Foreign exchange differences	6	(184)
<b>OPERATING CASHFLOWS BEFORE MOVEMENTS IN WORKING CAPITAL</b>	<b>3,320</b>	<b>3,997</b>
Increase in stock	(227)	(258)
Decrease/(increase) in debtors	2,454	(3,666)
Increase/(decrease) in creditors	1,408	(2,071)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>6,955</b>	<b>(1,998)</b>
	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS</b>		
Increase in cash	3,794	(1,210)
Net movement on short-term loans	1,776	2,058
	5,570	848
Net funds as at 1 October	14,221	13,373
Net funds as at 30 September	19,791	14,221
	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>ANALYSIS OF NET FUNDS</b>		
Net cash at bank and in hand	20,932	17,138
Bank loans	(1,141)	(2,917)
	19,791	14,221

NOTES TO THE ACCOUNTS

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## 1. PRINCIPAL ACCOUNTING POLICIES

### **General Information**

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

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

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

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

### **Basis of accounting**

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

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

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

### **Reduced disclosures**

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

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

### **Going concern**

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

## NOTES TO THE ACCOUNTS

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### **Functional and presentational currencies**

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

### **Basis of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate those of BMT Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 September 2017.

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

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

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

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

#### *Associates*

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

As permitted under section 3.22 FRS102, the titles of the primary statements are as follows:

<u>These financial statements</u>	<u>Recommended by FRS102</u>
Profit and Loss Account	Statement of Comprehensive Income
Statement of Other Comprehensive Income	Statement of Other Comprehensive Income
Balance Sheet	Statement of Financial Position

### **Company Profit & Loss Account**

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

### **Fixed asset investments**

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

NOTES TO THE ACCOUNTS

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**Goodwill**

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

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

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

**Intangible Fixed Assets**

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

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

Goodwill	5 to 15 years
Vessel design portfolio	15 years

**Research and development expenditure**

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

**Government grants**

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

**Tangible fixed assets**

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

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

## NOTES TO THE ACCOUNTS

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### **Revaluation of properties**

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

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

### **Impairments of fixed assets**

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

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

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

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

### **Investment Properties**

Investment properties (including properties held under an operating lease) are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

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

### **Revenue recognition**

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

## NOTES TO THE ACCOUNTS

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### ***Revenue recognition (continued)***

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

#### *Sale of professional services*

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

#### *Construction contracts*

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

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

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

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

#### *Software*

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

### ***Taxation***

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

NOTES TO THE ACCOUNTS

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**Taxation (continued)**

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

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

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

**Stocks**

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

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

**Leases**

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

**Foreign currencies**

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

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

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

**Retirement Benefits**

*Defined benefits plan*

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



NOTES TO THE ACCOUNTS

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***Retirement Benefits (continued)***

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

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

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

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

***Defined contribution plans***

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

***Provisions***

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

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

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

***BMT Employee Benefit Trust (EBT)***

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

***Financial Instruments***

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

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

NOTES TO THE ACCOUNTS

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***Financial Instruments (continued)***

*Basic Financial assets*

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

*Investments*

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

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

*Basic financial liabilities*

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

***Critical accounting estimates and assumptions***

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

*Revenue recognition*

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

*Pension scheme liabilities*

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

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

NOTES TO THE ACCOUNTS

**2. TURNOVER**

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

An analysis of turnover by geographical market is given below:

	2017 £'000	2016 £'000
United Kingdom	69,571	67,789
Continental Europe	14,185	15,641
North America	35,318	29,611
Asia Pacific	39,919	36,394
Rest of the World	13,359	17,310
	<u>172,352</u>	<u>166,745</u>

**3. GROUP OPERATING COSTS**

	2017 £'000	2016 £'000
Raw materials and consumables	39,718	38,001
Staff costs (note 7)	99,814	95,315
Depreciation, amortisation & impairment of fixed assets	3,697	5,159
Other operating charges	28,039	27,526
Other operating income	(976)	(590)
	<u>170,292</u>	<u>165,411</u>

**4. OPERATING PROFIT**

This is stated after charging/(crediting):

	2017 £'000	2016 £'000
Operating lease rentals receivable:		
- buildings	(273)	(254)
Operating leases payable	3,271	3,290
Pre planning costs for property development	-	565
Depreciation on owned assets	2,708	2,734
Amortisation of intangible fixed assets	128	128
Amortisation of goodwill	620	1,071
Impairment of goodwill	241	1,226
Foreign exchange gains	(843)	(2,475)
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

**5. AUDITORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Audit services:		
Statutory audit	120	120
Tax services:		
Compliance	57	55
Advisory services	28	32
Other services:		
Auditing of accounts of operating companies	95	90
Auditing of accounts of operating companies by auditor's associates	47	40
Other services not covered by the above	7	17
	<u>7</u>	<u>17</u>

**6. DIRECTORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments (excluding pension contributions)	1,101	956
Employer defined contribution pension	-	14
Highest paid director:		
Aggregate emoluments	<u>389</u>	<u>383</u>
Defined contribution scheme:		
Employer contributions	-	-
Defined benefit pension scheme:		
Accrued pension at end of year	146	99
Accrued lump sum at end of year	<u>438</u>	<u>303</u>

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

**7. STAFF COSTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Wages and salaries	83,005	80,765
Social security costs	7,071	6,927
Pension and post retirement costs	9,738	7,623
	<u>99,814</u>	<u>95,315</u>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
Wages and salaries	4,110	5,030
Social security costs	558	550
Pension and post retirement costs	500	638
	<u>5,168</u>	<u>6,218</u>

NOTES TO THE ACCOUNTS

**8. EMPLOYEE NUMBERS**

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

	<b>2017</b>	<b>2016</b>
<i>Group</i>	No.	No.
Scientific and technical	1,142	1,185
Administrative and support	308	312
	<u>1,450</u>	<u>1,497</u>
<i>Company</i>	<b>2017</b>	<b>2016</b>
	No.	No.
Scientific and technical	17	17
Administrative and support	52	58
	<u>69</u>	<u>75</u>

**9. NET INTEREST PAYABLE**

	<b>2017</b>	<b>2016</b>
	£'000	£'000
<b>Interest receivable:</b>		
Bank interest	53	64
Managed fund interest	143	229
	<u>196</u>	<u>293</u>
<b>Interest payable:</b>		
Bank loans and overdrafts	129	135
Net interest on defined benefit pension liabilities	1,156	922
	<u>1,285</u>	<u>1,057</u>
<b>Net interest payable</b>	<u>1,089</u>	<u>764</u>
<b>Net interest payable is summarised below:</b>		
Bank deposits less loans and overdrafts (net receivable)	63	71
Net interest on defined benefit pension liabilities	1,169	922
Managed fund interest	(143)	(229)
	<u>1,089</u>	<u>764</u>

NOTES TO THE ACCOUNTS

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2017 £'000	2016 £'000
Current tax:		
- UK corporation tax on results of period	35	808
- adjustments in respect of prior periods	39	(125)
- foreign tax	418	645
	<u>492</u>	<u>1,328</u>
Deferred tax:		
- UK deferred tax	(100)	-
- overseas deferred tax	(73)	1,422
- pension scheme	54	231
Total deferred tax	<u>(119)</u>	<u>1,653</u>
Tax on result on ordinary activities	<u>373</u>	<u>2,981</u>
<b>Factors affecting tax charge for the period:</b>		
The tax assessed for the period is higher than the effective rate of corporation tax in the UK 19.5% (2016: 20%)		
Profit on ordinary activities before tax	<u>913</u>	<u>2,020</u>
Profit on ordinary activities at the effective rate of corporation tax in the UK of 19.5% (2016: 20%)	178	404
Effects of:		
- items not deductible for tax purposes	117	608
- other tax adjustments	(437)	177
- prior year adjustment	39	(125)
- capital allowances in excess of depreciation	36	22
- utilised tax losses	(60)	(622)
- unutilised tax losses	-	928
- adjustment in respect of overseas tax rates	197	526
- fair value losses/(gains) not taxable	-	8
- Items deductible for tax purposes	295	8
- effect of changes in tax rates and laws	8	1,055
Total tax charge for the period	<u>373</u>	<u>2,981</u>

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

NOTES TO THE ACCOUNTS

**11. INTANGIBLE FIXED ASSETS**

	Goodwill £'000	Vessel Design Portfolio £'000	Total £'000
<b>Cost:</b>			
At 1 October 2016	19,031	1,920	20,951
Adjustment to fair value	(82)	-	(82)
Disposals	(5,786)	-	(5,786)
Exchange differences	67	-	67
At 30 September 2017	<u>13,230</u>	<u>1,920</u>	<u>15,150</u>
<b>Amortisation:</b>			
At 1 October 2016	17,153	1,728	18,881
Provided during the year	620	128	748
Impairment	241	-	241
Disposals	(5,786)	-	(5,786)
Exchange differences	56	-	56
At 30 September 2017	<u>12,284</u>	<u>1,856</u>	<u>14,140</u>
<b>Net book value: at 30 September 2017</b>	<u><b>946</b></u>	<u><b>64</b></u>	<u><b>1,010</b></u>
Net book value at 30 September 2016	<u>1,878</u>	<u>192</u>	<u>2,070</u>

**12. TANGIBLE FIXED ASSETS**

<i>Group</i>	Investment property £'000	Freehold land and buildings £'000	Long leasehold properties and improvements £'000	Other equipment £'000	Total £'000
<b>Cost / valuation at:</b>					
1 October 2016	650	8,184	5,116	24,808	38,758
Additions	-	-	361	1,571	1,932
Disposals	(650)	-	(48)	(1,822)	(2,520)
Exchange differences	-	-	(31)	(98)	(129)
At 30 September 2017	<u>-</u>	<u>8,184</u>	<u>5,398</u>	<u>24,459</u>	<u>38,041</u>
1 October 2016	-	289	2,328	19,361	21,978
Provided during the year	-	147	578	1,983	2,708
Disposals	-	-	(48)	(1,479)	(1,527)
Exchange differences	-	(3)	(18)	(97)	(118)
At 30 September 2017	<u>-</u>	<u>433</u>	<u>2,840</u>	<u>19,768</u>	<u>23,041</u>
<b>Net book value: At 30 September 2017</b>	<u>-</u>	<u>7,751</u>	<u>2,558</u>	<u>4,691</u>	<u>15,000</u>
At 30 September 2016	<u>650</u>	<u>7,895</u>	<u>2,788</u>	<u>5,447</u>	<u>16,780</u>

NOTES TO THE ACCOUNTS

**12. TANGIBLE FIXED ASSETS (continued)**

As at 30 September 2017, the investment property, which was a long leasehold property, had been sold by the company at £650,000 brought forward carrying value. This property had previously been valued by the directors at £650,000, after consulting several Chartered Surveyors on an informal basis. The original cost of the investment property was £1,205,000.

The historical cost of Freehold Land and Buildings is £6,775,000 (2016: £6,775,000).

**Company**

	Investment properties at valuation £'000	Freehold land and buildings £'000	Long leasehold properties and improvements £'000	Other equipment £'000	Total £'000
<b>Cost/Valuation at:</b>					
1 October 2016	3,650	4,000	900	2,073	10,623
Additions	-	-	-	52	52
Disposals	(650)	-	-	(9)	(659)
Revaluation	-	-	-	-	-
Transfer	-	-	-	-	-
<b>At 30 September 2017</b>	<b>3,000</b>	<b>4,000</b>	<b>900</b>	<b>2,116</b>	<b>10,016</b>
<b>Depreciation:</b>					
1 October 2016	-	114	52	1,385	1,551
Provided during the year	-	57	26	180	263
Disposal	-	-	-	(9)	(9)
<b>At 30 September 2017</b>	<b>-</b>	<b>171</b>	<b>78</b>	<b>1,556</b>	<b>1,805</b>
<b>Net book value:</b>					
<b>At 30 September 2017</b>	<b>3,000</b>	<b>3,829</b>	<b>822</b>	<b>560</b>	<b>8,211</b>
<b>At 30 September 2016</b>	<b>3,650</b>	<b>3,886</b>	<b>848</b>	<b>688</b>	<b>9,072</b>

The historical cost of the investment property was £2,321,000 (2016: £3,526,000). The fair value of investment properties is determined by reference to the Royal Institute of Chartered Surveyors (RICS)\*.

The historical cost of the freehold land and buildings was £3,106,000 (2016: £3,106,000).

\*Red Book



NOTES TO THE ACCOUNTS

**13. FIXED ASSET INVESTMENTS**

**Group**

	Managed Fund £'000	Bank Deposits £'000	Associates £'000	Total £'000
<b>Cost/Valuation:</b>				
1 October 2016	5,397	150	5	5,552
Additions	138	-	-	138
Disposals	(25)	-	-	(25)
Valuation changes	(58)	-	-	(58)
At 30 September 2017	<u>5,452</u>	<u>150</u>	<u>5</u>	<u>5,607</u>
<b>Net book value:</b>				
At 30 September 2017	<u>5,452</u>	<u>150</u>	<u>5</u>	<u>5,607</u>
At 30 September 2016	<u>5,397</u>	<u>150</u>	<u>5</u>	<u>5,552</u>
<b>Historical cost:</b>				
At 30 September 2017	<u>5,881</u>			
At 30 September 2016	<u>5,768</u>			

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

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

NOTES TO THE ACCOUNTS

**13. FIXED ASSET INVESTMENTS (Continued)**

Company	Managed Fund	Bank Deposits	Operating Company under- takings	Total
	£'000	£'000	£'000	£'000
<b>Cost/Valuation:</b>				
At 1 October 2016	5,397	150	32,143	37,690
Additions	138	-	30	168
Disposals	(25)	-	(1,708)	(1,733)
Valuation changes	(58)	-	-	(58)
<b>At 30 September 2017</b>	<u>5,452</u>	<u>150</u>	<u>30,465</u>	<u>36,067</u>
<b>Provisions:</b>				
1 October 2016	-	-	12,390	12,390
Charge for year	-	-	1,213	1,213
Disposals	-	-	(1,707)	(1,707)
<b>At 30 September 2017</b>	<u>-</u>	<u>-</u>	<u>11,896</u>	<u>11,896</u>
<b>Net book value:</b>				
<b>At 30 September 2017</b>	<u>5,452</u>	<u>150</u>	<u>18,569</u>	<u>24,171</u>
<b>At 30 September 2016</b>	<u>5,397</u>	<u>150</u>	<u>19,753</u>	<u>25,300</u>
<b>Historical cost:</b>				
<b>At 30 September 2017</b>	<u>5,881</u>			
<b>At 30 September 2016</b>	<u>5,768</u>			

The managed fund represents one portfolio of readily marketable interest-bearing securities, which are held under management by Schroder & Co Limited (trading as Cazenove Capital). The funds were transferred from Brewin Dolphin Ltd. The bank deposit of £150,000 is secured on a deed of charge dated 20 February 1987, in favour of certain ex-civil servants employed within the group. A listing of subsidiary and associated undertakings is set out in note 29.

NOTES TO THE ACCOUNTS

**14. DEBTORS**

	<i>Group</i>		<i>Company</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	30,303	32,491	438	338
Amounts owed by subsidiary undertakings	-	-	7,372	6,666
Amounts recoverable on contracts	15,503	17,066	2	7
Other debtors	3,289	2,741	1,072	330
Corporation tax	908	865	-	271
Prepayments and accrued income	3,889	3,192	290	325
	<u>53,892</u>	<u>56,355</u>	<u>9,174</u>	<u>7,937</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by subsidiary undertakings	-	-	10,548	15,741
Deferred tax asset	8,861	11,533	5,370	8,102
Prepayments and accrued income	15	411	-	-
	<u>8,876</u>	<u>11,944</u>	<u>15,918</u>	<u>23,843</u>

**15. CASH AND OVERDRAFTS - GROUP**

	2017 £'000	2017 Change in year £'000	2016 £'000	2016 Change in year £'000	2015 £'000
<b>Analysis of balances:</b>					
<b>Current assets:</b>					
Cash at bank and in hand	25,086	3,482	21,604	(1,327)	22,931
<b>Current liabilities:</b>					
Bank overdrafts	(4,154)	312	(4,466)	117	(4,583)
<b>Net position at 30 September</b>	<u>20,932</u>	<u>3,794</u>	<u>17,138</u>	<u>(1,210)</u>	<u>18,348</u>
<i>Sub-analysed as follows:</i>					
Cash held for third parties	628	(495)	1,123	(2,884)	4,007
Group's own net cash	20,304	4,289	16,015	1,674	14,341
<b>Net position at 30 September</b>	<u>20,932</u>	<u>3,794</u>	<u>17,138</u>	<u>(1,210)</u>	<u>18,348</u>

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

NOTES TO THE ACCOUNTS

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

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank overdraft	15	4,154	4,466	-	-
Bank loans		975	2,833	966	1,981
Income in advance		8,384	7,209	2,275	1,080
Trade creditors		8,066	7,349	617	345
Amounts owed to subsidiary undertakings		-	-	2,645	1,688
Corporation tax		129	370	-	-
Other taxation and social security		3,343	3,393	1,130	1,102
Other creditors		4,542	5,472	664	1,153
Accruals and deferred income		13,009	12,510	1,054	830
		<u>42,602</u>	<u>43,602</u>	<u>9,351</u>	<u>8,179</u>

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loans	166	84	-	-
Other creditors	2,292	2,858	-	-
	<u>2,458</u>	<u>2,942</u>	<u>-</u>	<u>-</u>

Certain bank loans are secured on the assets of the companies to which the borrowings relate. The total amount secured is £Nil (2016: £770,000).

**18. FINANCIAL INSTRUMENTS**

The carrying amount of the group and company's financial instruments at 30 September 2017 were:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets:				
Debt instruments measured at amortised cost	74,331	74,052	35,216	30,849
Equity instruments measured at amortised cost less impairment	5	5	18,569	29,753
Instruments measured at fair value through profit or loss	<u>5,452</u>	<u>5,397</u>	<u>5,452</u>	<u>5,397</u>
Total	<u>79,788</u>	<u>79,454</u>	<u>59,237</u>	<u>65,999</u>

NOTES TO THE ACCOUNTS

**18. FINANCIAL INSTRUMENTS (Continued)**

The carrying amount of the group and company's financial instruments at 30 September 2017 were:

	<i>Group</i>		<i>Company</i>	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial liabilities	33,204	36,467	5,946	5,997

**19. PROVISIONS FOR LIABILITIES AND CHARGES**

	Onerous Leases Contracts	Restructuring	Legacy Claims	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
At 1 October 2016	548	347	367	1,262
Transfer to profit and loss	141	-	300	441
Paid	(100)	(347)	(7)	(454)
At 30 September 2017	589	-	660	1,249

	Legacy claims £'000
<b>Company</b>	
At 1 October 2016	367
Transfer to profit and loss	300
Paid	(7)
At 30 September 2017	660

The legacy claims are in relation to former employees and are associated with assets and liabilities that were transferred when BMT Group Ltd (formerly British Maritime Technology Ltd) was privatised in 1985. It is expected that payment for these claims will be expended in full, on, or before, December 2050.

**Restructuring**

Restructuring costs relate to provision made where the group has constructive obligations at the year end to make a redundancy.

**Onerous lease contracts**

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

NOTES TO THE ACCOUNTS

**19. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred Taxation</b>		
<b>Group</b>		
At 1 October	11,533	7,159
Transfer from profit and loss	173	(722)
Exchange differences	8	1,265
Defined benefit pension scheme	(2,853)	3,831
	<u>8,861</u>	<u>11,533</u>
At 30 September	<u>8,861</u>	<u>11,533</u>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
The deferred tax asset comprises:		
- tax losses	1,139	1,135
- short-term timing differences	1,746	1,545
- defined benefit pension scheme	5,777	8,684
- capital allowances in excess of depreciation	199	169
	<u>8,861</u>	<u>11,533</u>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
At 1 October	8,102	4,488
Transfer from profit and loss	130	(191)
Transfer from other comprehensive income	(2,862)	3,805
	<u>5,370</u>	<u>8,102</u>
At 30 September	<u>5,370</u>	<u>8,102</u>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Provision for deferred tax asset has been made as follows:		
Tax losses	130	-
Short-term timing differences	-	(42)
Depreciation in excess of capital allowances	-	42
Defined benefit pension scheme	5,240	8,102
	<u>5,370</u>	<u>8,102</u>
At 30 September	<u>5,370</u>	<u>8,102</u>

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

NOTES TO THE ACCOUNTS

**20. PENSION LIABILITIES**

**Group**

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

**BMT UK & US SCHEMES**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Present value of funded obligations	(148,578)	(163,775)
Fair value of plan assets	<u>116,174</u>	<u>113,879</u>
Present value of unfunded obligations	(32,404)	(49,896)
Related deferred tax assets (note 19)	<u>5,777</u>	<u>8,684</u>
Net pension liability	<u>(26,627)</u>	<u>(41,212)</u>

**Company**

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

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Present value of funded obligations	(140,210)	(154,561)
Fair value of plan assets	<u>109,384</u>	<u>106,905</u>
Present value of unfunded obligations	(30,826)	(47,656)
Related deferred tax assets (note 19)	<u>5,240</u>	<u>8,102</u>
Net pension liability	<u>(25,586)</u>	<u>(39,554)</u>

Detailed disclosures on all pension commitments are provided in note 25.

**21. RESERVES**

*Fixed asset reserve*

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

*Investment properties*

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

NOTES TO THE ACCOUNTS

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**21. RESERVES (Continued)**

*Profit and loss account reserve*

Cumulative profit and loss net of distributions to owners.

*Pension reserve*

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

**22. SHARE CAPITAL**

The company is limited by guarantee without share capital.

**23. CONSTITUTION AND CONTROL**

In accordance with the company's Memorandum and Articles of Association, any surplus assets up to £30m, plus indexation based on Retail Price Index (RPI) from September 1998 - £50.8m at 30 September 2017 (2016: £49.3m) - on a winding up, must first be paid to such university or universities in the United Kingdom or, failing that, such charitable institutions as the Trustees may determine. Any remaining assets will be paid to the beneficiaries of the Employee Benefit Trust (EBT). No member shall have any entitlement to share in the profits or surplus assets of the Company.

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

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

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

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



NOTES TO THE ACCOUNTS

**24. LEASING COMMITMENTS**

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

	Land and Buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Group</b>				
Operating leases which expire:				
- within one year	4,277	3,986	525	410
- in the second to fifth years inclusive	10,420	9,539	679	754
- after five years	1,661	2,540	-	-
	<u>16,358</u>	<u>16,065</u>	<u>1,204</u>	<u>1,164</u>
<b>Company</b>				
Operating leases which expire:				
- within one year	145	145	-	1
- in the second to fifth years inclusive	581	581	-	-
- after five years	581	726	-	-
	<u>1,307</u>	<u>1,452</u>	<u>-</u>	<u>1</u>

**25. PENSION COMMITMENTS**

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

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

**A summary of the defined benefit schemes is as follows:**

**BMT UK Scheme**

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

**BMT US Scheme**

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

NOTES TO THE ACCOUNTS

**25. PENSION COMMITMENTS (Continued)**

Principal assumptions	BMT UK Scheme		BMT US Scheme	
	2017	2016	2017	2016
Rate of increase in pensions payment	2.2-3.71%	2.3-3.7%	0.0%	0.0%
Discount rate	2.9%	2.6%	3.75%	3.5%
Inflation assumption – RPI	3.4%	3.3%	0.0%	0.0%
Inflation assumption – CPI	2.4%	2.3%		
Rate of increase to deferred pensions	2.4-3.4%	2.3-3.3%	0.0%	0.0%
			<b>2017</b>	<b>2016</b>
			<b>Years</b>	<b>Years</b>
The average life expectancy for a pensioner retiring at 65 on the reporting date is:				
Male			87.1	87.2
Female			88.9	89.2
The average life expectancy for a pensioner retiring at 45 on the reporting date is:				
Male			88.3	88.9
Female			90.5	91.1

**BMT UK & US Schemes**

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

	2017	2016
	£'000	£'000
Net interest on the net defined benefit pension liability	1,156	922
Administration expenses	493	92
	<u>1,649</u>	<u>1,014</u>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<u>Changes in the present value of the defined benefit obligation</u>		
Opening defined benefit obligation	163,775	122,773
Interest cost	4,187	4,780
Benefits paid	(6,207)	(4,608)
Actuarial (gains) / losses	(12,914)	39,534
Exchange rate movements	(263)	1,296
Closing defined benefit obligation	<u>148,578</u>	<u>163,775</u>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<u>Changes in the fair value of plan assets</u>		
Opening plan assets	113,879	98,931
Interest income	3,031	3,858
Administrative expenses	(494)	(92)
Return on plan assets excluding amount included in net interest expense	3,828	12,487
Contributions by employers	2,460	2,288
Benefits paid	(6,207)	(4,608)
Exchange differences on foreign plans	(323)	1,015
Closing plan assets	<u>116,174</u>	<u>113,879</u>

The actual return on plan assets was a profit of £6,195,000 (2016: £16,345,000).

NOTES TO THE ACCOUNTS

**25. PENSION COMMITMENTS (Continued)**

<b>BMT UK &amp; US SCHEMES</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Present value of funded obligations	(148,578)	(163,775)
Fair value of plan assets	<u>116,174</u>	<u>113,879</u>
Present value of unfunded obligations	(32,404)	(49,896)
Related deferred tax asset	<u>5,777</u>	<u>8,684</u>
Net pension liability	<u>(26,627)</u>	<u>(41,212)</u>
	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b><i>Major categories of plan assets</i></b>		
UK equities	-	222
Global equities	19,833	19,409
Corporates	1,474	1,510
Liability driven investments	10,361	11,825
Alternative assets	82,157	78,569
Annuities	1,400	1,520
Cash	<u>949</u>	<u>824</u>
	<u>116,174</u>	<u>113,879</u>

**Defined Contribution Scheme**

The group operates a mixture of state and private defined contribution schemes. Contributions to these schemes during the year amounted to £7,478,000 (2016: £7,623,000)

NOTES TO THE ACCOUNTS

**26. RELATED PARTY TRANSACTIONS**

Transactions with subsidiary companies, where 100% of the voting rights of the subsidiary are controlled within the group have been eliminated on consolidated in the group accounts. At 30 September 2017 the group was owed £821k (2016: £854k) by an associated company, which had been fully provided against in previous years due to the uncertainty of the timing of its recoverability.

**27. KEY MANAGEMENT PERSONNEL**

The total remuneration of the directors, who are considered to be the key management personnel of the Group, was £1.2m (2016: £1.0m).

**28. CONTINGENT LIABILITIES**

The company has provided a guarantee to Barclays Bank plc in respect of overdraft facilities granted to certain UK subsidiary undertakings. The amount guaranteed, as at 30 September 2017, is £4.0m (2016: £3.6m). The guarantee is unsecured and not expected to be called in the foreseeable future.

**29. LISTING OF SUBSIDIARY & ASSOCIATED COMPANIES**

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

Name & Country of Incorporation	Nature of Business	Registered Address
<b>Australia:</b>		
BMT Design & Technology Pty Ltd	Services to the defence and maritime industries	Level 5, 99 King Street, Melbourne VIC, 3000
BMT Environment Pty Ltd	Dormant company	Level 8, 200 Creek Street, Brisbane QLD 4000 Australia
Hypersonix Pty Ltd	Dormant company	Level 8, 200 Creek Street, Brisbane QLD 4000 Australia
Inferno Shield Pty Ltd	Dormant company	Level 8, 200 Creek street, Brisbane QLD 4000 Australia
BMT JFA Consultants Pty Ltd	Coastal and maritime related engineering services	Level 4, 20 Parkland Road, Osborne Park WA 6017
BMT Maritime Consultants Pty Ltd	Environmental management services	490 Upper Edward St, Spring Hill, QLD, 4000 Australia
BMT Oceanica Pty Ltd	Environmental consultancy	Level 4, 20 Parkland Road, Osborne Park WA 6017
BMT WBM Pty Ltd	Environmental and engineering consultancy	Level 8, 200 Creek Street, Brisbane QLD 4000 Australia
BMT Holdings (Australia) Pty Ltd	Intermediate holding company	Level 8, 200 Creek Street, Brisbane QLD 4000 Australia
WBM Pty Ltd	Dormant company	Level 8, 200 Creek Street, Brisbane QLD 4000 Australia
<b>Belgium:</b>		
BMT Surveys (Antwerp) NV	Marine surveying	Kapelsesteenweg 286, 2930 Brasschaat
<b>Brazil:</b>		
Navegação e Controle Industria e Comercio Ltda)	Marine and offshore equipment and consultancy	Rua Salviano José da Silva, 210- Eldorado, S.J. dos Campos-S, 12238-573
BMT Scientific Marine Services Ltd	Marine and offshore equipment and consultancy	Avenida Rio Branco, No 89, 26th floor, Rio de Janeiro, Rio de Janeiro, 20040-004
<b>British Virgin Islands:</b>		
BMT Navcon Holdings Ltd	Intermediate holding company	3rd Floor Omar Hodge Building, Wickhams Cay 1, PO Box 362, Road Town, Tortola
<b>Canada:</b>		
BMT Clarity Ltd	Dormant company	311 Legget Drive, Kanata ON K2K 1Z8
BMT Fleet Technology Ltd	Defence services, engineering and materials consultancy	311 Legget Drive, Kanata ON K2K 1Z8
WBM Canada Consulting Engineers Ltd	Engineering and materials consultancy	401 611 Alexander Street, Vancouver BC V6A 1E1
<b>Denmark:</b>		
Evimar AS (9%)	European virtual maritime institute	Hjortekaersvej 99, 2800, Lyngby
<b>England &amp; Wales: active companies</b>		
BMT Asset Performance Ltd (formerly BMT Reliability Consultants Ltd)	Reliability, life cycle costing and safety services	*
BMT Cadence Ltd	Safety and environmental consultancy	*
BMT Defence Services Ltd	Services to the defence industry	*
BMT Fluid Mechanics Ltd	Fluid and structural mechanics consultancy	*

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BMT Hi-Q Sigma Ltd	Management consultancy	*
BMT International Ltd	Intermediate holding company	*
BMT Market Collections Ltd	Professional Fees collection agency serving insurance markets	*
BMT Nigel Gee Ltd	Naval architecture and marine engineering	*
BMT Nominees (Teddington) Ltd	Intermediate holding company	*
BMT Ship & Coastal Dynamics Ltd	Ship Performance and Metocean consultancy services	*
BMT SMART Ltd	Vessel performance and monitoring solutions	*
BMT Surveys (London) Ltd	Marine Surveying	*
BMT Surveys Risk & Quality (London) Ltd	Marine Surveying	*
BMT Surveys International Ltd	Intermediate holding company	*
BMT Titron (UK) Ltd (25%)	Ship Design	Ship Design Centre, 3 Hedley Court, Orion Way, Orion Business Park, North Shields, Tyne & Wear, NE29 7ST
BMT WBM Ltd	Environmental consultancy	*
<b>England &amp; Wales: dormant companies</b>		
Bertram Martin Consulting Ltd	Dormant company	*
BMT Aroqua Decommissioning Associates (50%)	Dormant company	*
BMT Commercial Shipping Ltd	Dormant company	*
BMT Defence Partners Ltd	Dormant company	*
BMT Edon Liddiard Vince Ltd	Dormant company	*
BMT Fleet Technology Ltd	Dormant company	*
BMT Ltd	Dormant company	*
BMT Marine Information Systems Ltd	Dormant company	*
BMT Marine Projects Ltd	Dormant company	*
BMT Murray Fenton Holdings Ltd	Dormant company	*
BMT Murray Fenton Ltd	Dormant company	*
BMT Nominees Ltd	Dormant company	*
BMT Offshore Ltd	Dormant company	Messrs Aberdein Considine & Co, 8&9 Bon Accord Crescent, Aberdeen, Aberdeenshire, AB11 6DN
BMT Pension Trustee Ltd	Dormant company	*
BMT Property Management Ltd	Dormant company	*
BMT Renewables Ltd	Dormant company	*
BMT Services Ltd	Dormant company	*
BMT SHIPDESIGN LTD	Dormant company	*
BMT Sigma Ltd	Dormant company	*
BMT Spareco Ltd	Dormant company	*
BMT Transport Solutions Ltd	Dormant company	*
British Maritime Technology Ltd	Name protection	*
Marine Science & Technology Ltd	Dormant company	*
NMI (unlimited company)	Dormant company	*
The British Ship Research Association (unlimited company)	Dormant company	*
<b>Hong Kong:</b>		
BMT Asia Environment Ltd	Environmental consultancy	5F, FWD Financial Centre, 308 Des Voeux Road Central
BMT Asia Pacific Ltd	Maritime and risk consultancy	5F, FWD Financial Centre, 308 Des Voeux Road Central
BMT Engineering International Ltd	Intermediate holding company	22nd floor, Tai Yau Building, 181 Johnston Road, Wanchai
BMT Titron Holdings Ltd (25%)	Intermediate holding company	5F, FWD Financial Centre, 308 Des Voeux Road Central
BMT Titron Marine Ltd (25%)	Ship design	5F, FWD Financial Centre, 308 Des Voeux Road Central
<b>India:</b>		
BMT Consultants (India) Pvt Ltd	Maritime consultancy	310 Sarthik Square, SG Highway, Ahmedabad, 380054
<b>Indonesia:</b>		
PT BMT Asia Pacific Indonesia	Environmental consultancy	Perkantoran Hijau Arkadia, Tower C, P Floor, Jl LetJen TB Simatupang Kav 88, Pasat Mingpu, Jakarta, 12520
<b>Malaysia:</b>		
BMT Asia Sdn Bhd (97%)	Marine and offshore equipment and consultancy	Level 10, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250, Kuala Lumpur
<b>Netherlands:</b>		
B.E. Verweij Oosterduin bv	Marine Surveying	Ruys de Perezlaan 3, 2111 WL Aerdenhout
BMT ARGOSS bv	Earth observation consultancy	Spacelab 45, 3824 MR, Amersfoort
BMT ARGOSS Holding bv	Intermediate holding company	Sint Jansklooster, Brederwiede
BMT Research & Development BV	Dormant company	Guldenwaard 141, 3078 AJ
BMT Surveys (Amsterdam) bv	Marine Surveying	Kapelsesteenweg 286, 2930 Brasschaat, Belgium
BMT Surveys (Risk & Quality) bv	Marine Surveying	Guldenwaard 141, 3078 AJ, Rotterdam
BMT Surveys (Rotterdam) bv	Marine Surveying	Guldenwaard 141, 3078 AJ, Rotterdam
BMT Surveys International bv	Intermediate holding company	Osdorper Ban 17 BC, 1068 LD, Amsterdam
Expertise - en Taxatiebureau D. Hoebee bv	Marine Surveying	Achterom 66, 2991CV, Barendrecht
J. Verweij Expertise bv	Marine Surveying	Ruys de Perezlaan 3, 2111 WL Aerdenhout
V.O.F. Expertise en Taxatiebureau Verweij & Hoebee	Marine Surveying	Osdorper Ban 17 BC, 1068 LD, Amsterdam

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<b>Scotland:</b>		
BMT Cordah Ltd	Environmental consultancy	Broadfold House, Broadfold Road, Bridge of Don, Aberdeen, AB23 8EE
<b>Singapore:</b>		
BMT Asia Pacific Pte Ltd	Maritime consultancy	456 Alexandra Road, #15-01 Fragrance Empire Building, 119962
BMT Ports, Infrastructure & Resources Pte Ltd	Dormant company	03 Harbour Front Place, #03-02 Harbour Front Tower Two, 099254
<b>United States of America:</b>		
BMT Designers & Planners Inc	Ship engineering and environmental services	4401 Ford Avenue Suite 1000, Alexandria VA 22302
BMT Energy Inc	Dormant company	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801
BMT Fluid Mechanics Inc	Fluid and structural mechanics consultancy	81 Prospect Street, Brooklyn, New York, NY 11201, USA
BMT International Inc	Intermediate holding company	4401 Ford Avenue Suite 1000, Alexandria VA 22302
BMT Investments Inc	Intermediate holding company	4401 Ford Avenue Suite 1000, Alexandria VA 22302
BMT Scientific Marine Services Inc	Marine and offshore equipment and consultancy	955 Borra Place, Suite 100, Escondido CA 92029
Technology Financing Inc	Intermediate holding company	4401 Ford Avenue Suite 1000, Alexandria VA 22302
BMT WBM Inc	Engineering and materials consultancy	8200 S Akron St Ste 120, Centennial, CO, 80112

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