



"Where will our knowledge take you?"

Annual Report 2016

BMT at a glance

1544

Number of staff

26

Companies

51

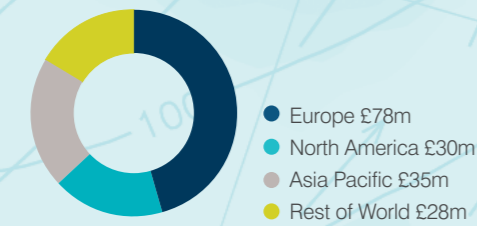
Office locations

35

Countries where we are active

£171m

Turnover



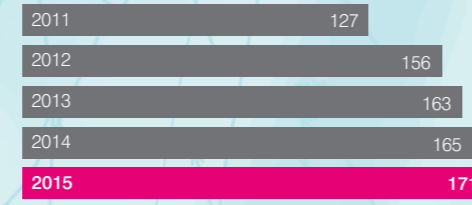
Turnover by region



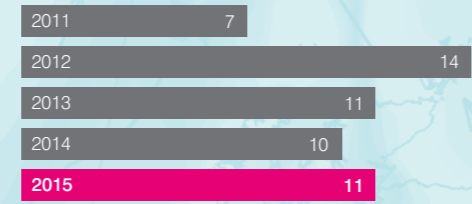
Turnover by market



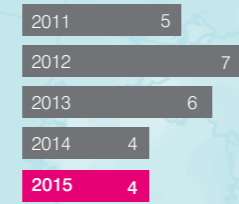
Spend on research, development and innovation



Turnover £m



Total underlying profits £m



Employee distribution £m

Links with academia

We continue to forge close links with academic institutions worldwide:

- 1 Carleton University, Memorial University of Newfoundland and the Universities of Ottawa and British Columbia in Canada
- 2 Instituto Tecnológico de Aeronáutica and Instituto Nacional de Pesquisas Espaciais in Brazil
- 3 University College London, Imperial College London, Brunel and the Universities of Bath, Cranfield, Newcastle, Portsmouth, Reading, Southampton, Strathclyde and Warwick in the UK
- 4 Technological University in Delft in the Netherlands
- 5 Centre for Environmental Planning and Technology University in India
- 6 National University of Singapore
- 7 Universiti Teknologi Petronas in Malaysia
- 8 Australian National University, Curtin, Edith Cowan, Monash, Murdoch and Swinburne Universities and Universities of Adelaide, Melbourne, Queensland, Tasmania and Western Australia



Markets

Vessel Design and Performance



Marine Surveys



Ports and Terminals



Oil and Gas



Offshore Renewable Energy



Defence



Mining and Bulk Handling



Buildings, Infrastructure and Rail



Water and Environment



Government



Chairman and Chief Executive's Statement

Welcome to this annual report on our performance and activities. The global economy continued to slow during the financial year but, in the face of this, we delivered a strong performance with many of our defence companies enjoying their strongest year to date. Our ability to weather these global storms says much about the value of our diversity in both markets and geographies.

The budgetary constraints faced by customers in commodity-based markets such as mining or oil and gas led to a marked change in the nature of the projects we saw commissioned. Customers' priorities moved from new capital expenditure projects to making the most of existing assets: optimising them, extending their life, improving their reliability.

In fulfilling our plan to strengthen our market position we have taken a similar approach, making just one strategic acquisition in the year (BMT NavCon, a leading Brazilian specialist in monitoring systems for the offshore oil and gas industry) and, in doing so, we focused on doing more with our current portfolio. We found new markets for existing expertise, new applications for existing skills and technologies and new territories for regional expertise.

The year also saw us plan and start a three-year change programme. The ambition for this programme is simple:

to make a more effective and efficient use of the talents, experience and capabilities we have in our core markets.

We are seeking a more effective route to market. The programme will combine complementary skills from companies serving common markets in a more meaningful way: coordinating sales activity; sharing market intelligence and better understanding customer needs. And we are seeking to make a more efficient use of our resources by co-ordinating our support activities within our regions and putting in place the shared processes vital to more effective collaboration.

This programme is not a change of direction for our business. It is the next step on a continuing journey to make our group of specialist companies greater than the sum of its parts. We look forward to sharing progress on this journey with you.



Sir John Hood
Chairman



Peter French
Chief Executive

Operations overview: Market context

The impact of slowing growth in China and low oil prices continued to be felt in a world still recovering from recession, especially in economies reliant on commodities. Offsetting this was more positive news from the USA as the world's largest economy continued to trade its way out of the economic downturn. As countries and companies adjust to new market realities, that change itself is creating opportunities for those nimble enough to adapt their offer to these new priorities.

Changing threats, changing priorities

Increasing global uncertainty, the posturing of certain powers and the changing nature of threats to national security have combined to challenge the moratoria on defence spending introduced by some countries. Completed during the year, the UK and Australian Defence Reviews are both indicative of a shift in response to the changing nature of threat with a focus on cyber security, commercial off the shelf procurement, maritime recapitalisation, precision strike, special forces and unmanned systems.

A slowing China

The much-reported slowing of growth in China has led to continued downward pressure on commodity prices. The impact of this was felt

not just in the mining sector, but in the ports and infrastructure investment associated with mining exports as well as in the shipping industry's freight rates. In commodity-based economies such as Australia where the federal government has received greatly reduced royalty payments from the mining companies, other sectors such as defence or water and environment have been affected by constrained government budgets.

Refocusing on optimisation

In the energy sector as in mining and infrastructure, operators continue to shift their focus from exploration and new capital projects to optimisation and life extension work as they seek to make the most from current assets. The resizing of the offshore energy market has led to a loss of knowledge and expertise, creating opportunities for our consulting expertise as well as our operational services.

Social performance

As an Employee Benefit Trust, we do not answer to external shareholders but to our staff, our customers and the communities in which we work. As well as measuring our financial performance, we measure the welfare of our employees in satisfaction surveys and set our own standards for our social performance: how we benefit our communities.

Alongside our sustainability commitments, our ethical policies, our staff volunteering days and school outreach programmes, we run BMT Giveback: a way to use our knowledge to give back to our communities.

Our first BMT Giveback programme saw us using our water engineering knowledge to bring a safe sewerage system to an Indian village. This year saw us using our skills to design and build a bridge to connect semi-isolated communities in Banten Province, Western Java. Named 'Bridge of Hope', the project applies the same criteria as our Indian project: it is an innovation that can be easily replicated with local materials at low cost. The bridge replaces a hazardous river crossing on an unsafe raft and will give villagers safe year-round access to surrounding communities, promoting schooling, trade and the local economy.



Operations overview: Performance

Our defence companies delivered their strongest performance to date. Whilst much of their revenue came from traditional strengths such as submarine programmes and larger surface vessels, there were clear signs that as governments reduce in-house competency to make those organisations more effective and meet budget constraints, the reliance on technical and management consultancy is increasing.

In a tough energy market, our order book protected us from the full impact of continuing low prices. We resized and refocused in the year to match the shift away from new field development. In particular, a focus on our abilities in metocean forecasting, instrumentation systems, data analysis and modelling helped us to secure long-term support contracts in the absence of major new capital projects.

The developing economies of India and South East Asia gave our ports and infrastructure businesses a solid year, creating additional opportunities for related environmental work. A silver lining to the cloud of low energy prices

has been that importing Liquefied Natural Gas (LNG) has become more attractive. Our expertise in LNG led to contract wins including that for Ghana's large 1,000 megawatt 'gas to power' project.

In the environment market, our work in flooding and coastal management delivered a good result in the context of reduced government spending. As well as winning projects such as the Great Barrier Reef Resort impact study, our expertise in these areas was recognised with awards for planning excellence and innovation.

Our companies engaged in commercial shipping design, performance monitoring and surveys performed well. Our alliance with Oceanco in the super/mega yachts market together with new contracts for patrol boats in Oman ensured an active year in our design offices and uptake of our performance monitoring systems was equally encouraging. Reduced commercial shipping activity led to a reduced demand from insurers and operators for ship surveys, but against this we were able to meet targets and maintain our strong market position.

Operations overview: Outlook

Continuing pressure on large capital projects in defence and energy will be offset to some degree by the opportunities for consultancy work as governments and organisations reduce headcount. With oil and gas prices predicted to remain low, optimisation and life extension of assets will remain our focus in the energy market. Ports and terminals will continue

to be important to developing economies and increased investment in infrastructure is expected to support growth in GDP. In commercial shipping, outside of economic factors, pressures from increasing regulation will continue to create opportunity for innovative thinking, as will growing interest from fleet operators in the digitally-monitored ship.

We have taken REMBRANDT, our ship simulator, into new markets from inland waterways to incident reconstruction and training following 'near miss' events.



Translating know-how

The year has seen us finding new world markets for existing regional expertise. The completed acquisition of BMT NavCon gives our oil and gas expertise a permanent presence in Brazil. In the mining sector, we are taking visualisation technologies we developed to automate land-

based mining and applying these to the growing underwater mining industry. We have found a new market in accident investigation for our REMBRANDT ship simulator and have translated our TUFLOW flood modelling software into the dredging market.

Partners in success

Partnerships are key to our success. As specialists, our partnerships with academic institutions help us to challenge and upgrade our knowledge. Partnerships with industry bodies and peers help us move industry thinking forward. And partnerships with other organisations help us to create what no one party could.

Our partnership with Oceanweather Inc and the UK's Met Office, for example, created a 20

year hindcast model of mid-Atlantic currents (a tool taken up by both Total and Shell during the year). Our design partnership with internationally renowned yacht builder Oceanco continues to secure its – and our – position at the top of this market. This year, we also saw the renewal of the Naval Design Partnership where, together with seven other industry partners, we work to build and retain critical knowledge and capability accessible to the UK's Ministry Of Defence.



The 107m Stiletto concept is just one of many projects highlighting BMT Nigel Gee and, luxury yacht builder, Oceanco's collaborative work.

The Board

During the year, Dr Neil Cross retired as Chairman following 18 years with BMT, the last nine as our Chairman during which time the group almost doubled its turnover. Neil was replaced by our new Chairman Sir John Hood.

Sir John Hood KNZM Chairman

Sir John joined BMT Group as Chairman in October 2015. Sir John is a non-executive Director of WPP plc and Study Group Ltd; President and CEO of the Robertson Foundation; and Chair of the Rhodes Trust and Teach For All. After a successful career at industrial conglomerate Fletcher Challenge, Sir John served as Vice-Chancellor of the University of Oxford and, before that, as Vice-Chancellor of the University of Auckland. With a Bachelor of Engineering and a PhD in Civil Engineering, Sir John was a Rhodes scholar. He was appointed a Knights Companion of the New Zealand Order of Merit in 2014.

Ian Davies Deputy Chairman

Ian is Chairman of the Audit Committee and the Employee Benefit Trust and a member of the Remuneration Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales, where he is also an elected Independent Council Member and Chairman of the Remuneration Committee. Ian is the Senior Independent Director and Chairman of the Audit Committee at Harvey Nash plc.

Peter French Chief Executive

A maritime civil engineer, Peter joined BMT in 1990. He is also Chairman of the Society of Maritime Industries and of the International Transport Intermediaries Club, Vice President of the Association of Independent Research & Technology Organisations and of the European Co-operation in Maritime Research. He is a board member of Maritime London, the immediate past President and a Fellow of the Royal Institution of Naval Architects and a Fellow of the Royal Academy of Engineering.

Charles Packshaw Non-executive Director

Charles is a member of the Audit, Investment and Remuneration Committees. He has 30 years' City experience working with financial institutions and is currently Head of UK Advisory at HSBC Bank. Prior to this, he was Managing Director of Lazard's Corporate Finance Division in London. He began his career in the construction industry and is a chartered civil engineer. He is also the Senior Independent Director at Diploma PLC.

David McSweeney Finance Director

David was appointed Finance Director in 2001, prior to which he was a senior audit and corporate finance partner at Baker Tilly. He is a Fellow of the Institute of Chartered Accountants in England and Wales and his extensive knowledge and experience of corporate finance and treasury matters has ranged from small owner managed businesses to large public listed companies in the FTSE 100 and on NASDAQ.

Professor Minoo Patel Non-executive Director

Minoo is a member of the Investment Committee and Chairman of the Innovation Board. He is a Fellow of the Royal Academy of Engineering, Emeritus Professor of Mechanical Engineering in the School of Engineering at Cranfield University, an independent Director of Keppel Offshore & Marine Ltd, a Director of BPP Technical Services Ltd and of BPP Cables Ltd.

Wendy Barnes Non-Executive Director

A member of the Audit Committee and Chairman of the Remuneration Committee, Wendy is a Non-Executive Director with Scottish Power Energy Networks, and OCS Group LTD. She is a Director and external advisor to Templar Executives, which provides cyber security consultancy and training. Wendy is also a Trustee of Plymouth Marine Laboratories and a Director of Chester Cathedral Enterprise Board.



1 Sir John Hood KNZM 2 Peter French
3 David McSweeney 4 Wendy Barnes 5 Ian Davies
6 Charles Packshaw 7 Professor Minoo Patel



Financial review

Many of the themes that characterised 2014 remained true in 2015: slow growth; reduced government spending; lack of major new capital expenditure projects in the commercial sector. In this context, we were able broadly to maintain turnover per head for the second year in a row. Despite being faced with the poor performance of investment markets, a significant accounting tax provision and higher bought-in costs on larger projects, we were also able to maintain margin.

Currency

The year saw continued weakening of the Australian dollar, a weakening of the Brazilian real and a cooling-off of sterling. Against this, however, the US dollar continued to strengthen and the effects of currency fluctuations across the many markets in which we operate effectively neutralised each other, bearing out the advantage of our geographical as well as market diversity.

Tax and impairment

We bore an excessive accounting tax charge of 80% in the year, lowering our 2015 results until future tax loss relief can be recognised. In line with falls in the financial markets, we also made provision for certain investments. Both of these factors impacted our net margin in the year.

Margin and costs

A 4% increase in turnover was matched by a 4% increase in costs. Those costs included the funding of a change programme which, longer term, is expected to pay back through greater effectiveness and efficiency. Margin did see a modest rise from 6.3% in the previous year to 6.7%. Though a small increase, it was satisfying to see it achieved in a buyers' market where larger firms have seen margins trailing off.

Cashflow

It was pleasing to see a reversal of our 2014 cashflow position in 2015. A positive cashflow of £7m was aided by our ability to meet milestones on large projects in the offshore oil and gas and defence platform design markets. Weakening demand and protracted sign-off on new projects is, however, likely to impact cashflow in the coming year.

Employee Distribution

As an Employee Benefit Trust, our focus is our staff. The strength of their performance in adverse markets allowed the Board to announce a financial distribution to all employees (albeit reduced on 2014's distribution due to the factors highlighted in this review) as well as to continue to fund and support their training and development.

Summary Financial Statements

Summary group profit and loss account for the year ended 30 September 2015

	2015 £000	2014 £000
Turnover	171,442	165,125
Operating costs	(163,888)	(157,992)
Operating profit	7,554	7,133
Share of operating profits in associates	(232)	400
Net interest expense	(96)	(470)
Restructuring costs	(965)	-
Provision against investments	(381)	-
Profit before employee distributions and taxation:	5,880	7,063
BMT employee profit sharing schemes	(4,653)	(4,235)
Profit before taxation*	1,227	2,828
Taxation	(867)	(185)
Retained profit for the year	360	2,643

*Accounting standards require the performance-related bonuses to be included within operating costs for financial reporting purposes

Summary group balance sheet as at 30 September 2015

	2015 £000	2014 £000
Intangible assets	4,676	5,722
Tangible assets	12,048	11,941
Investments	10,873	12,186
Total fixed assets	27,597	29,849
Current assets	79,135	74,249
Creditors: amounts due within one year	(47,756)	(44,821)
Net current assets	31,379	29,428
Total assets less current liabilities	58,976	59,277
Creditors: amount due after one year	(3,798)	(2,872)
Provisions for liabilities	(454)	(485)
Net assets before pension liability	54,724	55,920
Pension liability	(18,989)	(18,790)
Net assets after pension liability	35,735	37,130
Profit and loss reserve	54,520	55,616
Revaluation reserve	204	304
Pension reserve/(deficit)	(18,989)	(18,790)
Total capital employed	35,735	37,130

Approved by the Board on 15 December 2015

Peter French
Director



David McSweeney
Director



Notes to the Summary Financial Statements

Group turnover

	2015 £000	2014 £000
An analysis of turnover by geographical market is given below:		
Europe	77,987	74,632
North America	30,196	30,669
Asia Pacific	35,396	46,092
Rest of the World	27,863	13,732
Turnover	171,442	165,125

Total profit reconciliation & reserves (excluding minority interests)

	2015 £000	2014 £000
Profit before employee distributions and goodwill for the year	11,576	10,430
Digital ship initiative	(1,668)	(1,618)
Disposal of subsidiary	(364)	(57)
Performance related bonuses	(4,253)	(4,235)
Group loyalty based reward	(400)	-
Goodwill amortisation/impairment	(1,990)	(1,622)
Taxation	(867)	(185)
Associates	(232)	400
Net interest payable less gains on investments	(96)	(470)
Exceptional items: restructuring costs	(965)	-
Provision against fixed asset investments	(381)	-
Retained profit/(loss) for the year	360	2,643
Other recognised gains and losses	(1,755)	2,681
Reserves brought forward	37,130	31,806
Reserves carried forward	35,735	37,130

Staff costs

	2015 £000	2014 £000
Salaries	75,292	76,898
Social security costs	7,380	6,083
Pension and post retirement costs	6,768	5,006
Staff costs	89,440	87,987

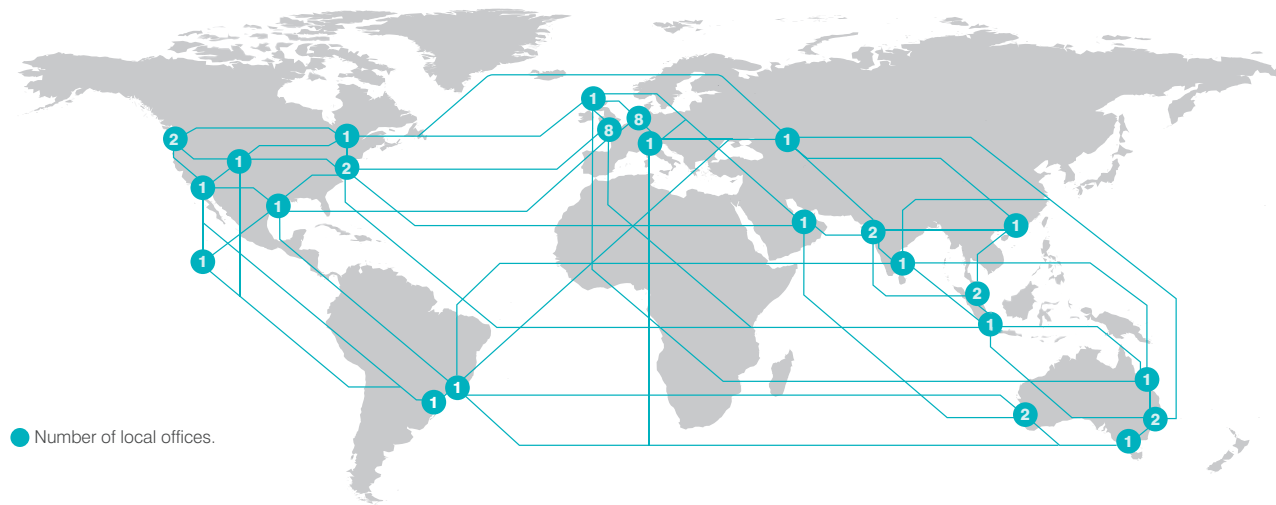
Both performance and loyalty based rewards are included in staff costs

Employee numbers

	2015 No.	2014 No.
The average weekly number of employees during the year was made up as follows:		
Designers, engineers, scientific and other technically based fee earners	1,247	1,204
Administrative support	297	260
Average number of employees	1,544	1,464

The figures on these pages are taken from the company's full statutory accounts, which are available from the UK Registrar of Companies

BMT applies engineering, science and technology to help customers design, manage, maintain and improve their assets. Founded on a century's heritage in the marine environment, BMT is an independent organisation held in trust for its employees.



The visual theme of this overview of the year features 'overviews' too: projections of data that give our customers an interface to help manage their world. Simulated or actual, historic, real-time or projected, we present data in ways that reveal valuable trends and support better decision making.

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