



"Where will our knowledge take you?"

Annual Report 2015



BMT at a glance

1500

Number of staff

26

Companies

44

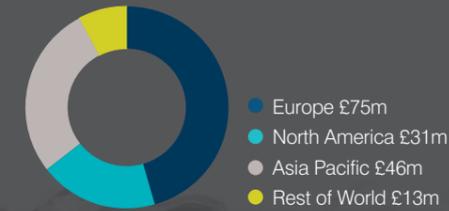
Office locations

35

Countries where we are active

£165m

Turnover



Turnover by region



Turnover by market

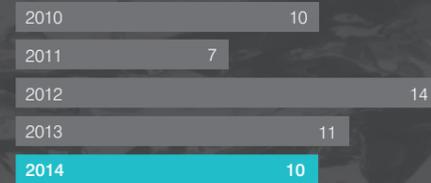
£8.5m

Spend on research, development and innovation

Turnover £m



Total profits £m



Employee distribution £m



Links with academia

We continue to forge close links with academic institutions worldwide:

- National University of Singapore
- Centre for Environmental Planning and Technology University in India
- Australian National University and Universities of Queensland, Melbourne and Western Australia
- University College London, Imperial College London, Brunel and the Universities of Bath, Reading, Portsmouth and Strathclyde in the UK
- Memorial University and the University of British Columbia in Canada
- Universiti Teknologi Petronas in Malaysia



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



Dr Neil Cross
Chairman



Peter French
Chief Executive

Welcome to this annual report on our performance and activities. The financial year had its challenges for us as it had for our competitors. We were not alone in facing market downturns, but we were able to deliver a strong performance by continuing to focus on the fundamentals of our business.

We established a new company, BMT SMART, to develop our ship and fleet performance management tools and associated consultancy services and to bring these to market.

We also made a strategic decision to sell one of our companies, BMT Syntek Technologies. The US Government's small business set aside programmes resulted in the company no longer being eligible to bid for a growing number of the smaller contracts which had made up a significant part of its activities. However, we were successful in transferring all staff to the acquiring business and retain access to the company's niche power and propulsion expertise.

As an Employee Benefit Trust, we do not measure our performance purely financially but also against how the group is performing to the benefit of our staff and the communities in which we work.

The financial distribution the Board agreed to make to the staff during the year, is of course

one tangible expression of this. Our volunteering schemes encourage our people to contribute to the communities in which we work. And, as well as the links we forge with academic institutions, we continue to invest in the professional development of our staff through a variety of training programmes.

Over the year, these and other measures have undoubtedly helped us keep and attract the outstanding talent that is the bedrock of our business. The proof of their ability and dedication can be seen in some of the awards won, from the Global Business Excellence Award to being voted one of the 10 most innovative companies in Australia*.

The recognition of the quality and value of our services can be seen in the nature and scale of the projects entrusted to us. This report illustrates some highlights from the year.

*Business Review Weekly's list of Australia's Most Innovative Companies.

Operations overview: Market context

'Uncertainty' is a word much used by market commentators. During this past financial year, the word has seemed particularly relevant. Few, for example, could have predicted some of the global market trends, such as the dramatic fall in global oil prices. Other market trends, like the rethinking of defence priorities or increased investment in infrastructure to improve productivity, were more regional in nature.

Commodity prices

The significant fall in oil prices, following a comparable fall in the price of iron ore, has seen companies rethinking capital projects. At the same time, it has led to increased operational budgets as operators look to making the most of their existing assets. Relatedly, the commercial viability of vessels such as fast ferries, which were considered impractical in years of rising oil prices, is being reviewed.

Political uncertainties

In the defence market, in particular, a climate of budget reductions has been challenged by events. Uncertainties such as those surrounding Russia's involvement in Ukraine and China's territorial disputes in the South China Sea have led to government agencies reviewing their priorities. Whilst continuing budget scrutiny in America and Canada has seen some programmes delayed, strong support from a new government in Australia has delivered increased budgets and brought forward military spending plans.

Economic factors

America's economy continues to grow, boosting hopes of a global recovery. In India, Indonesia and Malaysia, governments have recognised the key role maritime transport has to play in their countries' economic growth. The massive fall in commodity prices triggered by slowing growth in China has impacted not just capital mining projects in Australia but, with reduced tax revenues, state and federal budgets have also been cut. Many companies are now looking to Africa as a lower cost, resource rich region and investment in Africa's liquefied natural gas, coal and mineral transport infrastructure is growing.

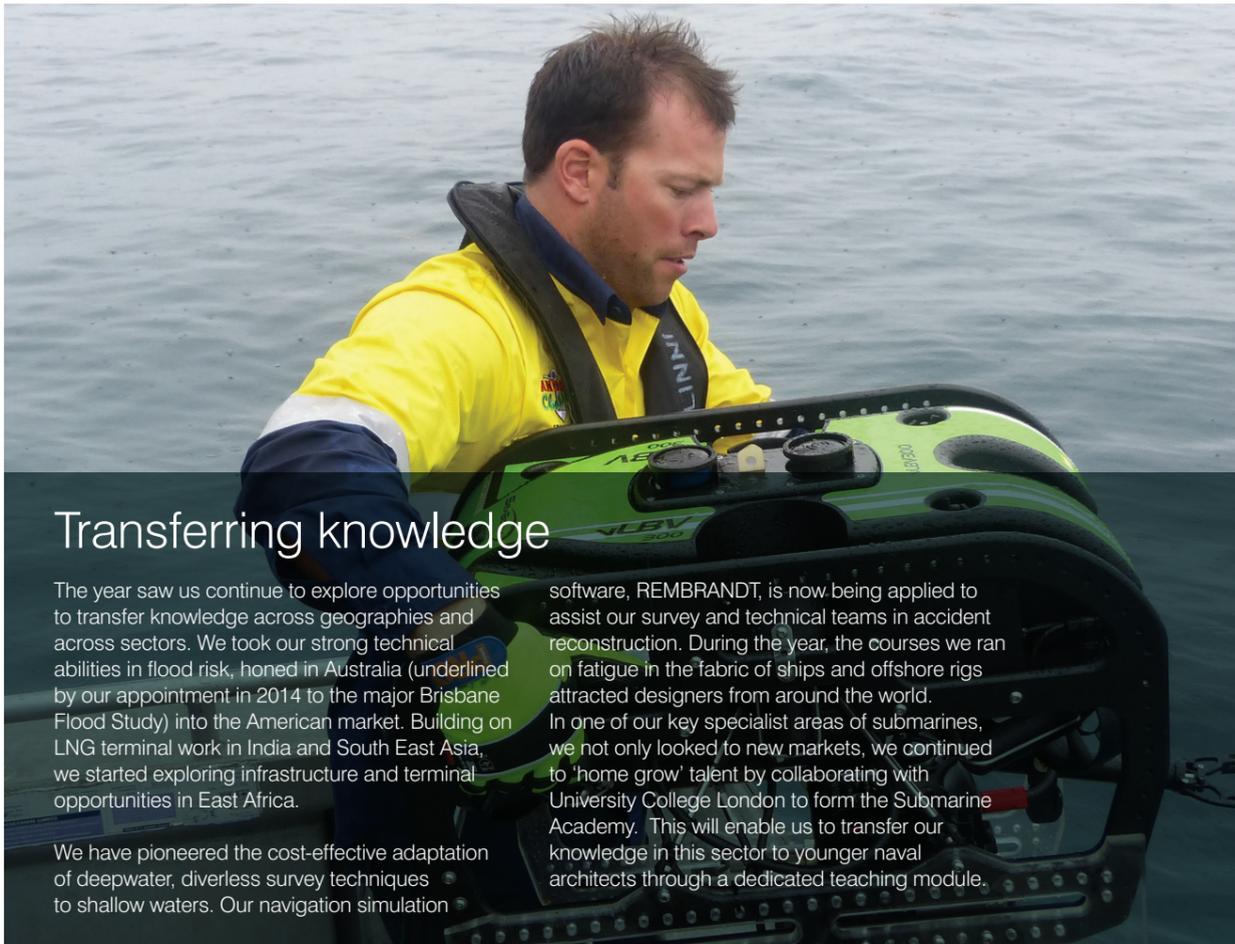
Designs for growth



The sizeable investments we make in designing vessels that anticipate and meet customers' changing needs is paying dividends as we see these vessels being widely adopted. Our fast crew boat and offshore windfarm maintenance boat designs continue to be adopted by shipyards, and we secured the Qatar Coastguard Patrol Boat contract in partnership with Turkish shipyard, Ares-Beşiktaş Gemi İnşa A.Ş.

The year saw growing interest in Caimen, our fast landing craft design, for three programmes in the US and Japan. Working with our partner DSME, we built on the successful modification of our Aegir tanker platform for the UK's Royal Fleet Auxiliary with another modification for the Norwegian Defence Logistics Organisation.





Transferring knowledge

The year saw us continue to explore opportunities to transfer knowledge across geographies and across sectors. We took our strong technical abilities in flood risk, honed in Australia (underlined by our appointment in 2014 to the major Brisbane Flood Study) into the American market. Building on LNG terminal work in India and South East Asia, we started exploring infrastructure and terminal opportunities in East Africa.

We have pioneered the cost-effective adaptation of deepwater, diverless survey techniques to shallow waters. Our navigation simulation

software, REMBRANDT, is now being applied to assist our survey and technical teams in accident reconstruction. During the year, the courses we ran on fatigue in the fabric of ships and offshore rigs attracted designers from around the world. In one of our key specialist areas of submarines, we not only looked to new markets, we continued to 'home grow' talent by collaborating with University College London to form the Submarine Academy. This will enable us to transfer our knowledge in this sector to younger naval architects through a dedicated teaching module.



SMART future

We continued to enhance our ability to collect and analyse big data, giving owners and operators valuable information on performance. Established during the year, BMT SMART, for example, brings to the market tools to measure ship performance such as fuel consumption, speed, draft and trim, reducing the uncertainty in ship operations and maintenance intervention and turning big data into information upon which customers can act.



Operations overview: Performance

Despite ongoing financial pressures on defence markets, we performed close to budget, helped by growing opportunities for our naval ship designs and by our appointment to the UK's Operational Support Programme. Our independence from manufacturers and shareholders saw us well placed to take the role of 'customer friend' in many key projects. We increased our work with frontline commands in the UK following Lord Levene's reorganisation and grew our role as customer friend in Australia and Canada.

Our work in ports and terminals and our marine surveys work continued the theme of a strong performance in challenging times. In surveys our brown water activities, which were hit hard in the 2008 downturn in northern European shipping, increased and blue water work remained strong. In ports and terminals, Indonesia remained a focus for projects, integrating our financial, economic,

bulk handling, engineering and navigation services. In India, we secured work on DP World's Mumbai port, the country's largest port project. In civil structures, growing economic confidence also saw an upsurge in demand for our wind tunnel testing work on super tall buildings.

The fall in commodity prices and the resulting contraction in new projects in the Australian mining market was the single greatest factor affecting performance in the year. The focus of mining companies has shifted towards operational availability of existing assets, an area where our proven experience should help compensate for the shortfall in activities stemming from new investments.

We strengthened our position as a significant player in environmental compliance having secured a major contract for Chevron on the

north-west shelf of Australia. We continued to grow our work in the water and environment market and were appointed to undertake the important Brisbane Flood Study.

In the offshore oil and gas market, we secured significant contracts for the design of structural and metocean monitoring systems in the west of Shetland fields in the UK, the Saphinoa field in Brazil and the Malakai field in Malaysia. Our metocean forecasting services were also much in demand with contract awards across the globe. Activities related to vessel design enjoyed a strong year, with our partnership with Netherlands yacht builder Oceanco burgeoning. We also enjoyed new partnerships with boatyards in Singapore, Vietnam, the Philippines and Brazil for work boats and offshore windfarm maintenance vessels.

Operations overview: Outlook

As with the previous financial year, the outlook for this coming year is mixed. The story for markets such as mining and oil and gas will be one of 'repair, refurbish, enhance' with fewer large development contracts. But our spread of activity - both by sector and geography - will balance this with strong anticipated growth in such areas as LNG terminals, infrastructure and vessel design.

We entered the year with a strong order book across our markets. This, together with the agile structure of our operating companies, will help us respond quickly and effectively to changes in the high-value markets we have made our focus.

The Board



Dr Neil Cross
Non-executive Chairman

Neil was formerly a director of 3i Group with whom he spent 27 years. He is non-executive Chairman of Albion Technology & General VCT PLC, a non-executive Director of Calburn Absolute Strategies SPC and a past Chairman of the RSA and the European Venture Capital Association. In addition to the Board, Neil chairs the Investment and Nominations Sub-Committees, is a member of the Remuneration Sub-Committee and a Trustee of BMT's Employee Benefit Trust.



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.



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.



Wendy Barnes
Non-executive Director

A member of the Audit Sub-Committee and Chairman of the Remuneration Sub-Committee, Wendy is also a non-executive Director of OFWAT, the economic regulator of the water industry in England and Wales, the Met Office, Scottish Power Energy Networks and MoD Information Systems and Services. She is an external advisor to Templar Executives, which provides cyber security consultancy and training.



Ian Davies
Non-executive Deputy Chairman

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



Charles Packshaw
Non-executive Director

Charles is a member of the Audit, Investment and Remuneration Sub-Committees. He has 30 years' 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.



Professor Minoo Patel
Non-executive Director

Minoo is a member of the Audit Sub-Committee and Chairman of the Innovation Board. He is a Fellow of the Royal Academy of Engineering, Professor of Mechanical Engineering and Director of Development 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.

Financial review

The challenging markets of 2014 have underlined the value of our diversified portfolio. The losses sustained in our mining machinery operations by the collapse in commodity prices in Australia, for example, were largely offset by a strong performance in the European defence market. The overall result has been a good performance in what, in many markets and regions, has been a tough year.

Currency

The strength of sterling in 2014, particularly against American, Canadian and Australian dollars, has somewhat masked what is otherwise a solid performance in terms of turnover. With two-thirds of our revenue emanating from our companies outside the UK, the 1% rise in turnover to £165m was achieved despite falls of between 7% and 14% in the value of those key currencies.

Profit

Profitability was largely maintained with positive contributions from Europe and North America. The slightly weaker profits were a result not only of the downturn in Australia, but of continued investment in Research & Development (R&D), including our digital ship initiative. The group's profit retention was aided by the receipt of R&D tax credits in those countries where it is available.

Margin

Margin in the year was down 0.6% to 6.3%; given some of the losses in the portfolio, this was a creditable performance. However, the improvement of margin remains one of our key strategic targets. Having established our credentials as designers of complex platform projects, we are now set to exploit the opportunities presented by repeat projects to add value to our customers and see margins improved as a consequence.

Cashflow

The 'buyers' market' that characterised the year saw a slowdown in cash collections and customers dictating longer payment terms. The cash demands of financing growing receivables (up £12m) had a £5m impact on cashflow. Cashflow has also been affected by the payment of £1.8m to our partners in successfully completed R&D projects funded by the European Commission as well as an increase in capital expenditure on improving the working environment for our staff.

Pensions

The pension deficit reduced during the year from £23m to £19m, helped by stronger equity markets, which saw investments rise, and a more detailed assessment of the underlying assumptions on which the liability was calculated, such as inflation and discount rates.

Employee distribution

Turnover per head was down from £118k to £112k, exacerbated by currency fluctuations. In light of this, and the profit figures, a smaller employee distribution of £4.2m was approved by the Board.

Summary Financial Statements

Summary group profit and loss account for the year ended 30 September 2014

	2014 £000	2013 £000
Turnover	165,125	163,283
Operating costs	(157,992)	(153,996)
Operating profit	7,133	9,287
Share of operating profits in associates	400	60
Net interest expense	(470)	(714)
Profit before employee distributions and taxation:	7,063	8,633
BMT employee profit sharing schemes	(4,235)	(5,883)
Profit before taxation*	2,828	2,750
Taxation	(185)	(862)
Minority interests	-	182
Retained profit for the year	2,643	2,070

*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 2014

	2014 £000	2013 £000
Intangible assets	5,722	8,063
Tangible assets	11,941	11,995
Investments	12,186	11,624
Total fixed assets	29,849	31,682
Current assets	74,249	75,918
Creditors: amounts due within one year	(44,821)	(49,566)
Net current assets	29,428	26,352
Total assets less current liabilities	59,277	58,034
Creditors: amount due after one year	(2,872)	(2,301)
Provisions for liabilities	(485)	(600)
Net assets before pension liability	55,920	55,133
Pension liability	(18,790)	(23,327)
Net assets after pension liability	37,130	31,806
Profit and loss reserve	55,616	54,979
Revaluation reserve	304	154
Pension reserve/(deficit)	(18,790)	(23,327)
Total capital employed	37,130	31,806

Approved by the Board on 17 December 2014

Peter French
Chief Executive



David McSweeney
Finance Director



Notes to the Summary Financial Statements

Group turnover

	2014 £000	2013 £000
An analysis of turnover by geographical market is given below:		
Europe	74,632	66,574
North America	30,669	34,038
Asia Pacific	46,092	57,200
Rest of the World	13,732	5,471
Turnover	165,125	163,283

Total profit reconciliation & reserves (excluding minority interests)

	2014 £000	2013 £000
Profit before employee distributions and goodwill for the year	10,360	11,299
Digital ship initiative	(1,618)	-
Disposal of subsidiary	(57)	(151)
Performance related bonuses	(4,235)	(4,683)
Group loyalty based reward	-	(1,200)
Goodwill amortisation/impairment	(1,622)	(2,515)
Taxation	(185)	(862)
Minority interest	-	182
Retained profit/(loss) for the year	2,643	2,070
Other recognised gains and losses	2,681	(7,822)
Reserves brought forward	31,806	37,558
Reserves carried forward	37,130	31,806

Staff costs

	2014 £000	2013 £000
Salaries	76,898	76,674
Social security costs	6,083	6,030
Pension and post retirement costs	5,006	4,623
Staff costs	87,987	87,327

Both performance and loyalty based rewards are included in staff costs

Employee numbers

	2014 No.	2013 No.
The average weekly number of employees during the year was made up as follows:		
Designers, engineers, scientific and other technically based fee earners	1,204	1,137
Administrative support	260	243
Average number of employees	1,464	1,380

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.



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