

Annual Review 2014

Investing...

in Knowledge.  
in Capabilities.  
in People.  
in the Future.



"Where will our knowledge take you?"

**BMT is a leading international multi-disciplinary engineering, science, technology and management consultancy offering a broad range of services, particularly in the defence, transport and energy and environment sectors.**



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# Chairman and Chief Executive's Statement



Dr Neil Cross  
Chairman



**The theme of our annual review is *Investing in the Future*. This has always been vital to the success of BMT.**



Dr Neil Cross



Peter French  
Chief Executive

The theme of our annual review is *Investing in the Future*. This has always been vital to the success of BMT. Indeed our commitment to cutting-edge research and creating the right conditions for innovation is part of our DNA. However, as we have grown, it has also become vital to invest in expanding our capabilities across the group – from developing the project management expertise required to deliver larger contracts to ensuring we have the staff and offices to meet growing global demand for our expertise. Our challenge is to maintain our commitment to innovation and research, while matching up to the requirements of running an increasingly large business. As demonstrated by both our financial performance and the exciting range of projects we are carrying out, this is a challenge that we are successfully meeting.

## Strategic Developments

Our acquisition of Netherlands-based marine survey and consulting engineers Verweij & Hoebee (V&H) during the year has added both breadth and depth to our group-wide surveying operations, which have now been integrated so that customers access one single network across the world.

Our new London office, opened during the year, will help us to access key markets for a range of services from the provision of flood modelling expertise, management of UK government procurement programmes to ship surveys. Expansion in Malaysia ensures that we are well placed to secure and manage key contracts in this important geographical market.

## Our People

As always, our success is driven by the talent and enthusiasm of our people. As well as renewing our commitment to training and development, we were able to further reward our staff through employee distributions totalling £5.9m. At board level, we were delighted to welcome two new non-executive directors, Wendy Barnes and Jan Kopernicki, who bring with them a wealth of experience in our markets.

## Looking Ahead

By continuing to invest in the future of the business we ensure that we are well positioned to continue our growth and to further enhance the quality of delivery to our customers.

...statement continued

### As we grow, so too does the need to invest in the technical and management capabilities required to deliver larger projects.

This was reflected in our financial performance this year, with revenues rising by 5% to £163m, but profits reducing by 17% to £11.3m. To have achieved a solid financial performance when market conditions were challenging – particularly in the defence and mining sectors – is testament to our strategy of maintaining a diversified portfolio of businesses operating in niche, high-value markets.

### Investing In The Future

Our careful investments in the long-term success of the business are already proving valuable. Just one example is ship design, where our increased capabilities have seen us this year complete the detailed design of the new tankers for the Royal Fleet Auxiliary and win a similar project for the Royal Norwegian Navy – both based on an innovative BMT design concept.

### Working Together

A key way in which we ‘scale up’ to access major projects is through partnering. This can mean working within the group to combine skillsets and resources, or working with external partners to help access greater opportunities. Here our independent status is proving valuable; allaying any fears of competition and attracting new high-profile partners during the year. We are also working together across countries in which BMT has a presence. A recent project saw us engaged in the design of facilities to enable a company to export coal from Australia and import it into India.

Our continued investment in research and innovation, both through contract research and self-funded activities within the group, when taken as a whole, is significantly higher than the OECD recommended guidelines. For example, as maritime broadband communication makes vessel performance data increasingly easy to access and analyse, we are focusing on leading edge developments related to the digital ship market.

### Outlook

We expect a mixed outlook ahead, with defence and mining markets remaining tough but oil & gas and specialist ship design looking more promising. Overall, we remain confident that our strategy will continue to generate growth. All that remains is to thank all the staff at BMT for their commitment and hard work; it is this which will ensure our investment in the future will prove fruitful.



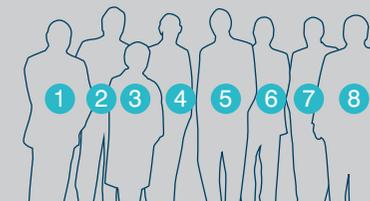
**Our management team brings together BMT's people and expertise to access new opportunities, create partnerships and deliver high value insight to our customers**



Peter French

**Dr Neil Cross**  
Chairman

**Peter French**  
Chief Executive

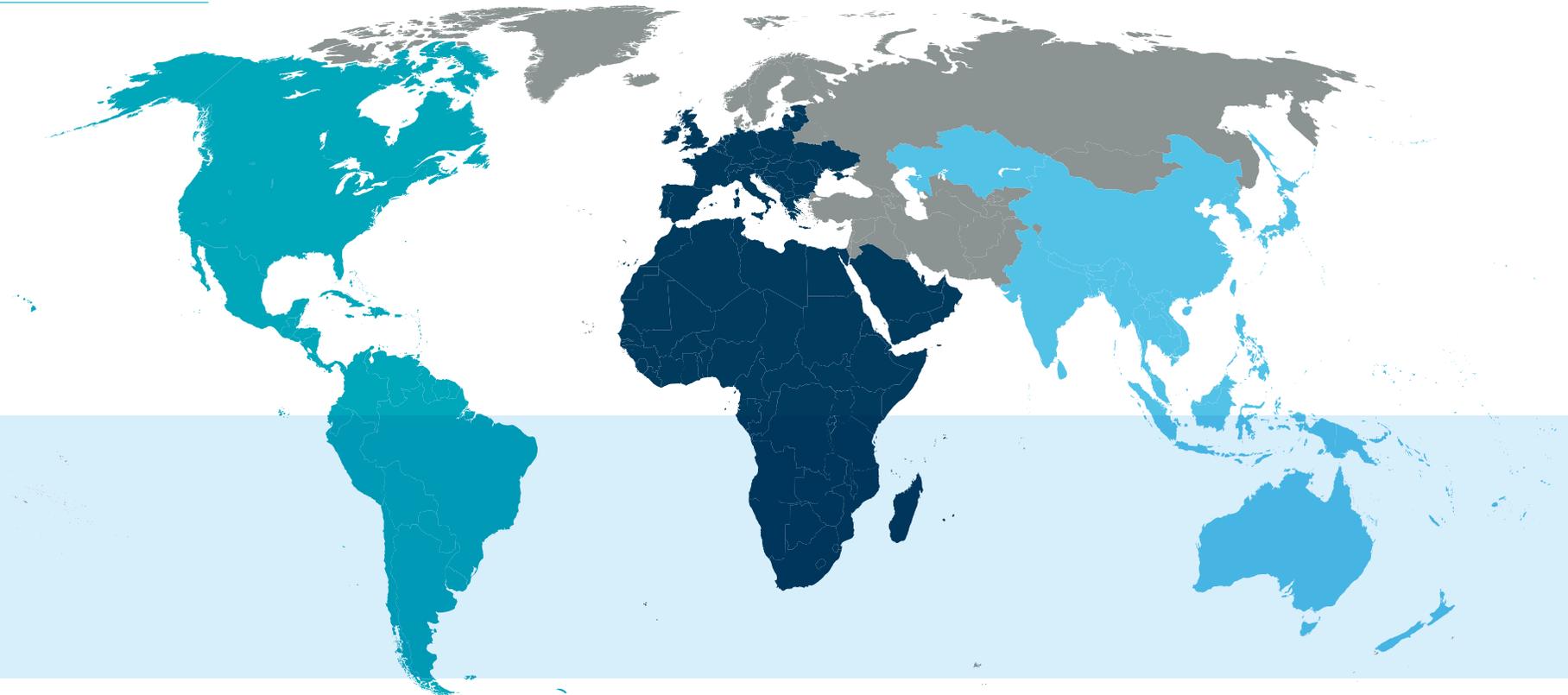


1. David McSweeney, Finance Director
2. Dr Owen Harrop, Regional Director
3. Anne Segall, HR Director
4. Gary Smith, Regional Director
5. Peter French, Chief Executive
6. Dr Ralph Rayner, Sector Director
7. David Bright, Sector Director
8. Dr Phil Thompson, Sector Director

## The Executive Management Board



# BMT at a Glance



## Americas

The region faced a number of headwinds, most notably the impact on the defence market of the US Government's difficulties in agreeing a budget. However, our diverse customer base helped the group to achieve solid results in the region, where we are well positioned for the future.

## Regional Companies

BMT Designers & Planners  
BMT Fleet Technology  
BMT Fluid Mechanics  
BMT Scientific Marine Services (USA and Brazil)  
BMT Syntek Technologies  
BMT WBM

## Europe, Middle East and Africa

Overall performance in the region was good, despite a background of slow economic growth and government austerity programmes. Our priority is to ensure a stable platform in every business so that, subject to the vagaries of the markets, we can consistently perform to expectations.

## Regional Companies

BMT ARGOSS (Netherlands and the UK)  
BMT Cordah  
BMT Defence Services  
BMT Fluid Mechanics (UK and UAE)  
BMT Group  
BMT Hi-Q Sigma  
BMT Isis  
BMT Nigel Gee  
BMT Reliability Consultants  
BMT SMART  
BMT Surveys (Belgium, The Netherlands and the UK)  
BMT WBM  
Verweij & Hoebee

## Asia Pacific and Australasia

The Asia Pacific region performed well as the region continued to create opportunities for our products and services. A focus on targeted senior management training, greater inter-company collaboration and improving Information Communication Technology is further supporting this growth.

## Regional Companies

BMT ARGOSS  
BMT Asia Pacific (Hong Kong, Indonesia, Malaysia and Singapore)  
BMT Consultants India  
BMT Design & Technology  
BMT Fluid Mechanics (Hong Kong and Malaysia)  
BMT JFA Consultants  
BMT Oceanica  
BMT Surveys  
BMT WBM

# Vessel Design and Performance

**BMT's expertise in this field is demonstrated by its innovative vessel designs and ability to develop market leading vessel performance tools.**

The year saw strong demand for our specialist ship design services. The continued global economic recovery contributed to this, as did our new and existing shipyard partnerships in Asia and Northern Europe, opening up opportunities for design work for large yachts, fast ferries, offshore maintenance vessels, fast crew transfer boats and innovative multi-purpose floating platforms.

## New Opportunities

We continued to win new contracts and break new ground in the mega-yacht market, furthering our work on 100m+ yachts based on BMT hull forms and working with industry leaders such as Oceanco. In commercial and renewables shipping, we continued our partnerships with Penguin Shipyards, Strategic Marine and Piriou. The innovative nature of our specialist design skills was also seen in the commercial shipping and offshore oil & gas markets, where our work on more fuel-efficient fast crew transfer vessels and innovative high-speed LNG carrier designs won us new projects during the year.

Partnering with leading shipyard Ares, we also won an exciting new detailed design contract for the Bahrain coastguard. In the renewable energy market we continue to have success in the design of windfarm support vessels using the Turbine Access System jointly developed with Houlder.

## Fuel Efficiency

In offshore oil & gas, demand for larger and faster mono-hull crew boats offers opportunities to exploit our new, fuel-efficient designs. Across the deepwater commercial fleets, the increase in bunker costs and new energy efficiency legislation combined to push performance monitoring to the top of the agenda. Our investment in market leading fuel and performance monitoring systems resulted in their adoption by a number of leading owners and charterers of LNG, tankers and bulk carrier fleets.

As well as commercial ship design, we also work in the defence market to deliver leading edge platform design.

Looking ahead, we will continue to work together across the group to build capabilities and access new opportunities in what we expect to continue to be a growing market.



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## Highlights

1. Our latest partnership with Ares Shipyard will see BMT undertake detailed design work on six innovative 18m patrol boats for the Bahrain Coast Guard.
2. BMT has significantly expanded its superyacht engineering services in 2012-2013. Current projects include several superyachts in excess of 100m in length.
3. Louis Dreyfus Armateurs commissioned BMT to undertake crew training for the Port of Mostyn, UK to ensure the safe manoeuvring of Ro-Ro ships in and out of the harbour. BMT worked closely with LDA to define training objectives and develop a training programme for crews using the company's REMBRANDT software.

# Marine Surveys

**BMT is one of the world's leading independent marine surveying companies, providing a wide portfolio of services in cargo, hull and machinery and technical matters.**

Both claims activity and blue water (coastal) survey volumes saw an upturn in the year as international marine insurance markets strengthened in 2013, but the brown water (inland) survey market remained challenging. To further strengthen BMT's market position in blue water surveys, we acquired Netherlands-based marine survey and consulting engineers, Verweij & Hoebee, which has built a strong reputation as a leading provider of surveys in Europe.

To better position ourselves in the market and streamline delivery of surveys, we restructured our survey operations during the year, such that an increasing number of our activities are being conducted through a single brand, BMT Surveys, whilst maintaining the independence and specialist skills of the well established surveys businesses. We believe this will allow a better way of sharing and combining resources, offer customers a simpler and more unified service, and pave the way for future expansion, both in Europe and further afield. The market has responded well to this change and to the acquisition of Verweij & Hoebee.

Another new initiative during the year was the opening of our new London office, which made a good start, capturing a steady volume of protection and indemnity and hull & machinery work from London clubs and brokers.

The establishment of a fire casualty capability also represents an important new development, enabling BMT to exploit the growing capability gap between the adequacy of fire protection systems and the growing risks associated with increased containerisation and undeclared inflammable cargoes.

## Outlook

Rising claims trends, coupled with more investment by ship owners in loss prevention and safety audits, should help to maintain our growth in our international blue water survey markets. The brown water survey markets are, however, unlikely to see a resurgence in the short-term, following a number of structural changes in the inland waterways markets. We expect to capture a growing share of the niche fire casualty market, while our strengthened, unified position across survey markets should continue to deliver benefits to our customers and business.



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## Highlights

1. BMT expanded into central London with the opening of a new office to support its rapid growth.
2. BMT acquired Netherlands-based Verweij & Hoebee, a leading provider of hull and machinery surveys in Europe.

# Ports and Terminals

**From conception to operation, BMT helps customers assess, finance, develop and maintain port facilities.**

This was another strong year for BMT in the ports and terminals markets.

Infrastructure developments in Indonesia and Malaysia continued to provide collaborative opportunities, supported by BMT's innovative approach, strong track record and independent status. The marine planning market remained buoyant on the back of a significant number of civil infrastructure and reclamation projects in Hong Kong and Singapore. In India, we captured a number of Liquefied Natural Gas (LNG) assignments. This included the detailed design for a LNG terminal facility in Gujarat, India, providing further evidence of our growing reputation for supporting new LNG infrastructure developments. This is leading to further opportunities across India, Singapore, Malaysia and Western Australia.

Although lower coal prices caused a slowdown for related infrastructure development in Western Australia, we have started to engage with companies in the region, as well as Europe, which are pursuing investments in east African mineral resource projects and LNG export terminals. The value of our expertise was demonstrated throughout the year as we advised on the environmental, financial, design and safety aspects of port and terminals planning, building and maintenance. One example was a unique training programme BMT developed to assist Port Engineers in maximising investment in the repair and sustainment of their maritime assets.

## Outlook

We believe that our strong track record and high-value insight can provide significant opportunities, particularly in Asia. Across the sector, we will continue to be responsive to changing markets and collaborate with strategic partners to ensure further success in the year ahead.



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## Highlights

1. BMT carried out cost and feasibility studies at sites in Pipavav Port to identify the best location for an LNG import terminal. We were subsequently selected for engineering design work and an environmental impact assessment. This included disaster management plans and a risk assessment for LNG handling.
2. BMT developed a unique training programme to assist Port Engineers with maximising investment in the repair and sustainment of their maritime assets. The course looks at everything from the preparation for a maintenance period, engineering administration, to the fundamentals of project management and beyond.
3. BMT provided training for pilots of Adani's Hazira Port using our REMBRANDT software. Pilots used the tool to safely manoeuvre vessels in the approach channel and berths, under the combined effects of current, wind, tide and swell.

# Oil and Gas

**Building on more than twenty-five years' experience, BMT supports the oil & gas industry in undertaking safe, reliable, cost-effective and environmentally sound activities.**

The year saw strong demand for BMT's oil & gas-related services. Brent crude prices remained above \$100 a barrel throughout the 2012/13 financial year, sufficient to secure continued commitment to all but the most high-cost developments. As a result, global offshore exploration and production activity was at record levels.

In contrast, US natural gas prices fell to record lows during the year; driven by a rapid growth in the exploitation of non-conventional reserves. So far this has had limited impact on natural gas contracts in the rest of the world, but this could change as new US export facilities come on stream.

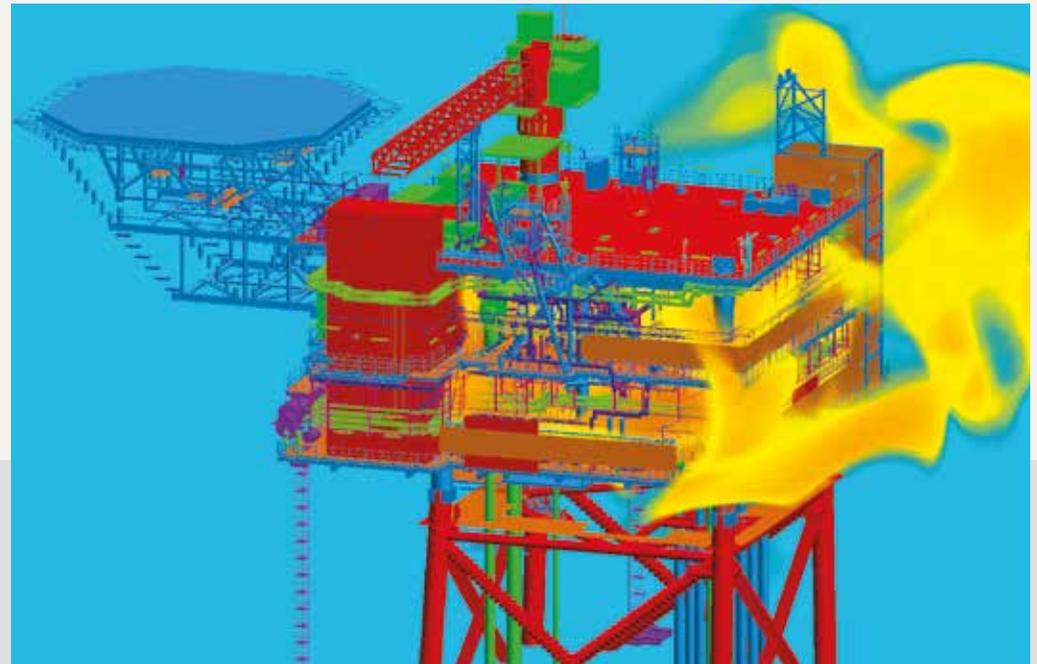
The strategy to 'internationalise' our structural integrity monitoring business continued with further investment in Brazil as well as increased levels of sales and contract support resources in Europe and South East Asia. Recent acquisitions in Western Australia have also proved effective, giving BMT a strong presence from which to promote further growth in oil & gas related activities; especially in the environmental services market.

Innovation is a key driver for our success and here we made notable progress, with new tools to support the wind tunnel testing of offshore structures, including the use of 3D printing to support model making.

We also joined a high-level three-year Joint Industry Project launched to help improve the accuracy of wind tunnel measurements and Computational Fluid Dynamics calculations.

## Outlook

With average oil prices set to remain above the \$100 per barrel threshold for the 2013/14 financial year, we expect the market for services associated with exploration to continue to grow. In the longer-term the outlook is less clear with increasing exploitation of non-conventional reserves, capital expenditure constraints in the international oil & gas companies and skilled staff availability all potentially impacting growth in exploration and production activity.



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## Highlights

1. BMT's track record in offshore safety analysis relating to loss of containment and helideck operations was called on to provide design support services for the Cygnus Field jacket platform complex.
2. BMT's weather forecasting skills are helping the Kazakhstan Oil & Gas Industry extend its summer working window by identifying unseasonably good weather in time for customers to take benefit.
3. BMT was engaged by Statoil to undertake an EIA and prepare the Environmental Statement for the development of Statoil's Mariner Area heavy oil field in the northern North Sea.

# Mining and Bulk Handling

## **BMT's innovative analytical approach helps mining and bulk handling operators overcome the complex challenges they face.**

Lower commodity prices and reduced capital project expenditure saw demand for engineering services in Australia reduce.

However, our innovative approach and ability to add value for our customers provided some insulation from tough market conditions. Our ability to cover all engineering disciplines from mechanical, electrical, and structural to controls and automation, helped to diversify our exposure. By offering services aimed at reducing costs and improving safety and efficiency we were able to help customers even in difficult market conditions.

Innovation was again a key element of our success, with the groundbreaking Active Barrier prototype system – developed in conjunction with SkillPro and aimed at suppressing coal dust explosions – reaching further milestones and being recognised at the Australian Coal Association Research Program's (ACARP) biennial awards ceremony.

An ingenious scheme to improve dramatically the fatigue performance of cluster joints on dragline boom designs also commenced development during the year. This has the potential to significantly improve dragline boom structural reliability as well reduce maintenance costs for mines operating certain kinds of draglines.

### **Outlook**

With current mixed pressures on energy and commodity ore prices some parts of our mining related business will be challenged in the near-term. The short-term focus of mining operations has shifted from capital expansion to productivity and throughput; and it is these areas we will focus on. We will continue to carefully monitor our operations to ensure we limit exposure to the weaker sectors of the market.



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### **Highlights**

1. BMT was recognised at the Australian Coal Association Research Program's (ACARP) biennial awards ceremony for the groundbreaking Active Barrier prototype system, which aims to improve safety by suppressing coal dust explosions.
2. BMT provided the project management, technical input and design supervision for the Carmichael/Abbott Point project in Australia, the largest contributor to coal exports in the country.

# Defence

## BMT provides design, engineering, and business services to national defence forces and major contractors.

Uncertainty was again a major characteristic of global defence markets during the year. The most extreme example was government closure and sequestration in the US as disagreements on public spending reached crisis point. Elsewhere, the new government in Australia announced a delay to the next Australian Defence White Paper until May 2015, impacting spending decisions. In the UK, structural changes to the MoD and general reduction in defence budgets also brought challenges across all our traditional defence markets.

### Trusted Partners

But challenges also bring opportunities: implementing change requires trusted, independent partners who can deliver smart, cost-effective solutions. We were therefore able to strengthen relationships with our major defence customers during the year. By securing the Norwegian Defence Logistics Organisation (NDLO) contract, we helped further establish BMT's global 'Platforms' business and strengthened our relationship with Daewoo Shipbuilding & Marine Engineering (DSME). We built relationships with Front Line Commands (FLC) in the UK defence market following the introduction of the 'Levene' reforms.

There were also improved customer relationships with both the Canadian Department of National Defence and its key suppliers. In Australia, our submarine design reputation supported our position in the Collins Class replacement programme and we continued to apply the expertise we have developed through our involvement in the defence procurement process to win non-defence government contracts in related areas.

The delivery of the BMT element of the Military Afloat Reach and Sustainability (MARS) tanker project to DSME was a key highlight during the year, as was securing the Norwegian Logistics and Support Vessel (LSV) design contract with DSME. We delivered valuable efficiency gains for the US Coast Guard through the Cutter boat support contract. Securing the Bahrain Coast Guard Patrol Boat contract through Ares shipyard in Turkey was a notable achievement. We successfully delivered Customer Friend work for the Australian Antarctic Division support vessel.

BMT's presence at Defence Security and Equipment International (DSEI), repeated at Pacific 2013 in Sydney, was more comprehensive than ever this year promoting interest from a range of potential clients.

We continue to focus on the vital task of recruiting, training and developing the people we need to drive our growth. Some excellent achievements by our staff and companies were celebrated during the year. A group of our young engineers claimed top spot with their design at this year's Industry Powerboat Challenge. We were also delighted to receive a Queen's Award for Enterprise in the International Trade category. This prestigious award recognises BMT's continuing success in overseas markets.

### Outlook

There are several challenges and opportunities ahead for BMT in the defence sector. These include continuing to develop relationships and deliver support opportunities to UK MOD FLCs as well as understanding and operating within the new Defence, Equipment and Support plus (DE&S+) organisation. Elsewhere in Canada and Australia we will continue to identify opportunities, innovate solutions and build relationships. Even in the US's difficult defence markets we are positioning ourselves to take advantage when opportunities emerge.

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### Highlights

1. BMT completed a study for the Commonwealth of Australia, to examine a range of options for the Life of Type Extension of a wide range of defence maritime platforms.
2. BMT's latest contract with the Swedish Defence Materiel Administration will include the organisation's robust and intuitive management information system, RAMtr@ck.
3. BMT's success in overseas markets was recognised with the honour of a Queen's Award for Enterprise in the International Trade category.
4. By changing the maintenance philosophy of the boats attached to US Coast Guard Cutters, BMT has increased their operational availability and reduced maintenance costs.
5. BMT was confirmed as design contractors for the NDLO's LSV, which will be built by DSME.



© US Coast Guard



© BMT Defence Services

# Buildings, Infrastructure and Rail

**BMT is a leading provider of wind engineering and computational modelling for the civil construction industry and provides a range of specialist services in support of infrastructure and rail customers.**

There were signs of recovery in the US buildings and infrastructure markets, with the result that our investment in penetrating the US market for wind tunnel testing has begun to pay off. Market conditions for wind tunnel services were also buoyant in China and throughout South East Asia.

Our Hong Kong based built environment and transport consultancy activities had an excellent year serving a buoyant regional market.

Over the year we invested in development of our process and project risk management services building a sound position for supply of these services.

### Outlook

If the global economic recovery proves sustainable, we can expect the opportunities created in civil construction and government infrastructure projects to increase.



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### Highlights

1. BMT has been contracted to provide assurance and risk management on a major expansion to the Hong Kong rail network, which is designed to relieve pressure on the existing railway network and ease road traffic congestion.
2. BMT supplied full wind engineering services for the cost effective and safe design of the London Olympic Stadium, including its legacy modes.
3. BMT was selected to provide full wind consultancy services from the early concept and planning stages of the 'Walkie Talkie' building (20 Fenchurch Street) in London through to scheme, detailed design and construction phase.

# Offshore Renewable Energy

**BMT provides an extensive range of specialist products and services supporting all phases of the development and operation of wind, wave and tidal energy projects.**

Our unrivalled experience of meeting the unique challenges of operating in the harsh marine environment continues to make us the partner of choice for those designing, installing and maintaining offshore renewable energy systems.

During the year, UK Round 3 offshore wind developments began to enter their design and installation stage, creating further opportunities for BMT-designed support vessels and associated planning and operational support.

In the US there are signs that the market will develop significantly during 2013/14, leading to further opportunities.

## Outlook

With offices strategically located to support each major renewable energy region, BMT remains well positioned to provide the industry with insight and solutions to the engineering and environmental challenges of extracting energy from above, upon and beneath oceans and seas.



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## Highlights

1. BMT provided on-site reliability and operations and maintenance design support for a Vestas wind turbine programme in Denmark. Using modelling techniques and an understanding of in-service issues, BMT helped the client to optimise the design to balance reliability and support costs.
2. The BMT designed 26m Extreme Semi-Swath (XSS) windfarm support vessel was launched at the Sepers B.V. shipyard in Holland. The XSS is one of a suite of vessels that has the ability to deliver personnel safely to windfarms, ensuring vital operations and maintenance tasks can be conducted throughout the year.

# Water and Environment

**BMT's consultancy services and software tools are widely used to address issues affecting the natural and urban environment and to monitor compliance with environmental legislation.**

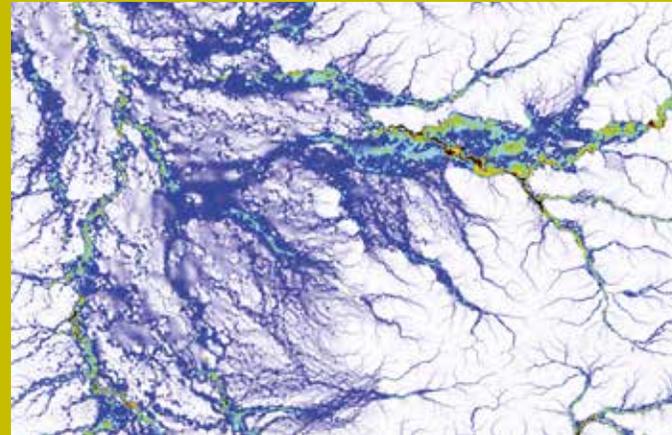
Throughout the year, our highly qualified engineers and scientists continued to meet the water and environmental consultancy and modelling needs of customers including government agencies, municipal and port authorities, development organisations and private companies. Our services encompassed flooding, water quality, coastal processes, urban stormwater, the built environment, ecology, environmental management and contaminated land remediation.

A strong demand for water and environment services in Australia helped to ensure a good overall performance in the year.

In North America, our contaminated land assessment and remediation activities achieved an excellent result while our Hong Kong built environment services had a record year. BMT's London office is helping to support further expansion of our water and environment services into European markets.

### Outlook

As pressures on the environment and water resources increase we expect demand for our services to grow. At the same time extreme weather events mean that our services in flood prediction and protection are in demand. Our specialist software tools are gaining international recognition leading to growing opportunities in Europe and North America.

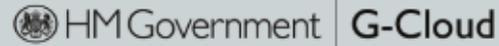


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### Highlights

1. Given the close proximity of the World Heritage listed, Great Barrier Reef, BMT continues to be involved in all major port development work in Queensland to provide environmental protection – a key concern of regulators and consent authorities.
2. We have developed our Tuflow modelling tool to use GPU technology. It has reduced computational effort by more than 100 times, which allows us to model even larger areas and, for the first time, use full two-dimensional flood modelling for real-time flood forecasting.
3. BMT won the Program Innovation Award at this year's Australian Water Association awards for helping with the sustainable management of waterways in the Moreton Bay Region, one of Australia's fastest growing urban areas.

# Government



## BMT acts as an independent consultancy supporting government organisations during the definition, procurement and delivery of services.

We leverage our expertise in managing complex projects from many industry sectors to support the provision of efficient, reliable and effective services across the government sector. Our success is demonstrated by a number of major new framework and project wins during the year.

The market for our services was strong with austerity programmes driving organisational changes within the UK and the need to find new ways of efficiently allocating and managing scarce resources.

During the year, we won significant new work in the UK, Canada and Australia. In the UK this success included the Government Crown Commercial Service's (CCS) ConsultancyONE Framework, which is becoming the de facto procurement route for the provision of business and management consultancy contracts of values between £100,000 and £2 million. We won places on lots covering management consultancy work in two specific areas – policy development and advice and organisational strategy. We are also working within the functional advice and support category in the two key areas of change management and procurement.

Also in the UK the G-Cloud frameworks 3, 4 and soon to be 5 continue to offer BMT opportunities, such as the provision of business and management consultancy. These developments have led to our expansion both in resources and offices where our London office increases our opportunity for engagement with major UK government departments and our new Winchester office is similarly well positioned for the south.

Overseas, our expertise in modelling flood plains has been a key input to government and state plans as they look for economically viable solutions to overcome more frequent severe weather events, and we continued to offer engineering and technical support to a range of government departments.

We continue to take part in key government forums and conferences, working across the group, to deliver national and state sponsored projects.

Looking ahead, we see strong demand, both in the UK and beyond, across our management and technical consultancy services to support the increasing pressure for government services to be 'right sized'. We will continue to broaden our engagement with central government and its agencies, including the emergency services. In doing this we expect that our status as an independent consultancy, with no ties to solution providers or other stakeholders, will remain a valuable asset.



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### Highlights

1. BMT won a range of work within the UK Government Procurement Service's ConsultancyONE Framework.
2. BMT managed a team of over 25 consultants to provide specialists ranging from enterprise architects to infrastructure and database designers. The Ministry of Justice is continuing to procure our expertise, the most recent project involves providing it with the means to make better informed decisions regarding the management of applications used across UK prisons.
3. BMT is under contract with the UK Home Office to support its programme for the creation of the National Police Procurement Hub.
4. The BMT ConsultancyONE team delivered the process review to support an Ofsted action plan for Devon County Council's schools and colleges – a first for BMT.

## Board of Directors



**Dr Neil Cross**  
Non-executive Chairman

**Neil Cross was appointed a non-executive Director in 1997 and Chairman in 2006. He is Chairman of the Investment and Nominations Sub-Committees, a member of the Remuneration Sub-Committee and a Trustee of BMT's Employee Benefit Trust.**

Neil had 27 years' experience with 3i Group Plc, latterly as Group International Director, and now holds a number of non-executive directorships and trustee positions. He is a past Chairman of the Royal Society for the Encouragement of Arts, Manufacturing and Commerce and of the European Venture Capital Association.



**Peter French**  
Chief Executive

**Peter French was appointed Chief Executive in 2005. A maritime civil engineer by profession, he joined BMT in 1990, before which he was a partner in Peter Fraenkel & Partners.**

Peter 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 European Co-operation in Maritime Research, a member of the Business Advisory Board of Living With Environmental Change. He is a Fellow of the Royal Academy of Engineering and a Fellow and currently President of the Royal Institution of Naval Architects.



**David McSweeney**  
Finance Director

**With over 27 years' experience as a chartered accountant, David McSweeney was appointed Finance Director in 2001.**

David enjoyed a successful accountancy career as a senior audit and corporate finance partner at Baker Tilly. He has helped many different types of business and specialised in people businesses within the design, engineering and technology and property sectors, both as a trusted adviser and as a non-executive Director. His extensive 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. David was a finalist in the Institute of Directors' 2012 "Director of the Year – large company section". He is a Fellow of the Institute of Chartered Accountants in England and Wales and served as a member of its Technical and Practical Auditing Committee providing guidance to the profession.



**Wendy Barnes**  
Non-executive Director

**Wendy Barnes was appointed a non-executive Director in 2013 and is a member of the Audit Sub-Committee.**

Wendy is presently a non-executive Director of OFWAT, the economic regulator of the water industry in England and Wales, of Foreign & Commonwealth Office Services and the Met Office. She is an external advisor to Templar Executives, who provide cyber security consultancy and training. Wendy was Interim Chief Operating Officer for the UK Government's Department of Energy & Climate Change and was previously a non-executive Director of the Board of the Ministry of Defence's Defence Equipment and Support organisation (DE&S) and a non-executive Director of two Government security departments. Prior to this Wendy spent eleven years with United Utilities and ten years with British Nuclear Fuels.



**Ian Davies**  
Non-executive Deputy Chairman

**Ian Davies was appointed a non-executive Director in 2006 and Deputy Chairman in 2010. He is Chairman of the Remuneration Sub-Committee, a member of the Audit Sub-Committee and Chairman of BMT's Employee Benefit Trust.**

Ian is a Fellow of the Institute of Chartered Accountants in England and Wales and has held a number of non-executive Director and Chairman positions. He was previously a Visiting Fellow of the Department of Strategy at Cranfield University School of Management and a partner at Coopers & Lybrand. He is currently a non-executive Director and Chairman of the Audit Committee and Remuneration Committee at ASK Europe Plc and Harvey Nash Plc.



**Frances Heaton**  
Non-executive Director

**Frances Heaton was appointed a non-executive Director in 2007 and is Chairman of the Audit Sub-Committee, a member of the Investment Sub-Committee and a Trustee of BMT's Employee Benefit Trust.**

Frances worked at HM Treasury before joining Lazard where she was a Corporate Finance Director, including two years as Director General of the Take-over Panel. She has been a non-executive Director of a number of companies and of the Court of the Bank of England. Frances is currently Chairman of Schroders Pension Trustee Limited and the Lazard London Directors Pension Scheme.



**Jan Kopernicki CMG**  
Non-executive Director

**Jan Kopernicki was appointed a non-executive Director in 2014 and is a member of the Investment and Remuneration Sub-Committees.**

Jan is a non-executive Director of J&J Denholm Ltd and Nordic Tankers Holding AB. A Leicester University graduate and Fellow of the Society of Biology, he retired in 2011 after 40 years with Shell, where he was a member of the Shell Trading Executive Committee and Group Function Head for Shipping. Jan was Chairman of the Oil Companies International Marine Forum, President of the UK Chamber of Shipping and Chairman of Maritime UK. He served as a Trustee of the Lloyd's Register Foundation and Chair of the Nominations Committee. He is an Honorary Captain in the Royal Naval Reserve and was appointed CMG in 2012.



**Professor Minoos Patel**  
Non-executive Director

**Minoos Patel was appointed a non-executive Director in 2010. He is a member of the Audit Sub-Committee and is Chairman of the Innovation Board.**

Minoos 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. He has worked since 1976 on the engineering of offshore oil & gas exploration and production structures and the associated subsea systems, with the application of this experience to maritime renewable energy in recent years.

# Financial Review

## **BMT delivered a solid financial performance in challenging conditions.**

Revenues increased by 5% to £163.3m despite the rising value of the pound having a negative impact on group earnings. In fact BMT now earns more than two-thirds of its income from non-UK customers, illustrating the truly global nature of our operations. Profits fell by 17% to £11.3m as some of our markets cooled and the highly complex, technically demanding nature of certain projects required additional investment.

### **Markets**

Progress in major defence projects was offset by tough market conditions as governments across the world sought to control and reduce costs. Specialist vessel design, particularly yachts and offshore windfarm support vessels, saw good growth. In terms of regions, some cooling off in Australia was offset by a continuing rise in south east Asian infrastructure projects. In general, a 'buyers' market' persisted, meaning that we had to work even harder to maintain profit levels.

### **Margin**

While margin fell during the year to 7% this was largely caused by the additional

investment necessary in certain, relatively small areas of the business. Taking that out of the picture, it was pleasing to see that the underlying margin held up well and we have some confidence that it can be matched, or improved upon, in the future.

### **Cashflow**

At the end of the reporting period our strong cashflow position (not including 'third party' money held on account for clients) before deduction of employee profit sharing bonuses and tax was maintained at £15m. Even after deductions we are happy to report that the net cash position was again positive.

### **Employee distribution**

Our solid performance enabled us to reward our staff with an employee distribution of £5.9m. This was below last year's level, reflecting the fact that turnover per head was down 3% at £118k. Profits per head also fell.

### **Pension**

'Our pensions' liabilities, as calculated under FRS17 accounting standard, increased during the year, driven by an upwards adjustment to the inflation rate on which liability assumptions are made. This had the effect of increasing our pension deficit from £17m to £23m.

To address this, we extended the period of our pension recovery plan and agreed rising payments supported by the growth in our business. Although we will continue to set money aside to reduce the deficit, it is important to understand that these are long-term liabilities, subject to regular adjustment, and do not need to be met in the short-term.

### **Currency**

Having benefited for some time from the pound remaining at a relatively weak level, the situation reversed during the year. As a result the rate at which overseas earnings converted into sterling was negatively impacted. Although we hedge much of our currency flows, the impact on our revenues of this movement was nonetheless significant. This meant that our ability to increase revenue during the year was a considerable achievement and evidence that BMT's strong underlying growth is continuing.

### **Outlook**

Our order book is higher than even last year's notably strong level. This suggests that recovery is continuing in most of our markets and gives us confidence that BMT can continue to prosper in the niche, high-value markets in which we operate.

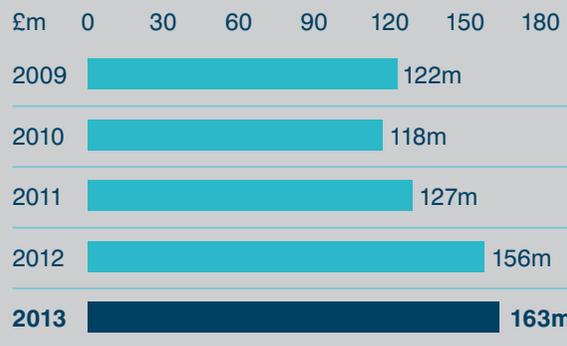


**Revenues increased by 5% to £163.3m despite the rising value of the pound having a negative impact on group earnings.**

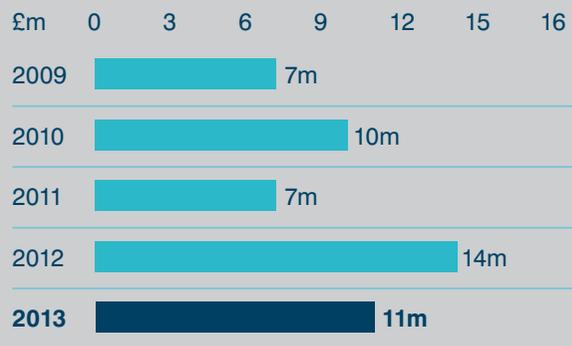


**David McSweeney**  
Finance Director

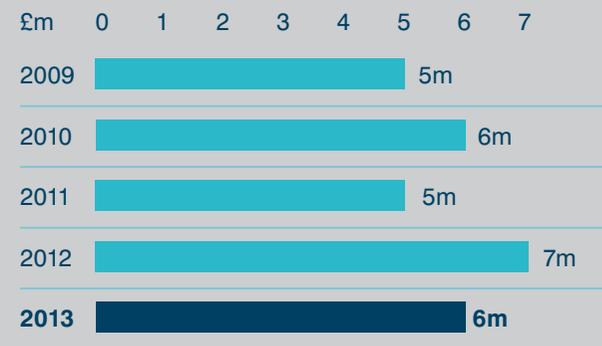
### Turnover



### Total Profits



### Employee Distributions



# Financial Statements

## Summary group profit and loss account for the year ended 30 September 2013

	2013 £000	2012 £000
<b>Turnover</b>	<b>163,283</b>	155,562
<b>Operating costs</b>	<b>153,996</b>	142,864
<b>Operating profit</b>	<b>9,287</b>	12,698
Share of operating profits/(losses) in associates	<b>60</b>	53
Net interest expense	<b>(714)</b>	(670)
<b>Profit before employee distributions and taxation</b>	<b>8,633</b>	12,081
BMT employee profit sharing schemes	<b>(5,883)</b>	(6,904)
<b>Profit before taxation*</b>	<b>2,750</b>	5,177
Taxation	<b>(862)</b>	(1,565)
Minority interests	<b>182</b>	19
<b>Retained profit for the year</b>	<b>2,070</b>	3,631

\* 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 2013

	2013 £000	2012 £000
Intangible assets	<b>8,063</b>	6,733
Tangible assets	<b>11,995</b>	12,165
Investments	<b>11,624</b>	14,730
<b>Total fixed assets</b>	<b>31,682</b>	33,628
Current assets	<b>75,918</b>	68,275
Creditors: amounts due within one year	<b>(49,566)</b>	(46,006)
<b>Net current assets</b>	<b>26,352</b>	22,269
Total assets less current liabilities	<b>58,034</b>	55,897
Creditors: amounts due after one year	<b>(2,301)</b>	(628)
Provisions for liabilities	<b>(600)</b>	(600)
Net assets before pension liability	<b>55,133</b>	54,669
Pension liability	<b>(23,327)</b>	(16,942)
<b>Net assets after pension liability</b>	<b>31,806</b>	37,727
Profit and loss reserve	<b>54,979</b>	54,346
Revaluation reserve	<b>154</b>	154
Pension reserve/(deficit)	<b>(23,327)</b>	(16,942)
Total funds	<b>31,806</b>	37,558
Minority interests	<b>–</b>	169
<b>Total capital employed</b>	<b>31,806</b>	37,727

Approved by the Board on 19 December 2013



**Peter French**  
Chief Executive



**David McSweeney**  
Finance Director

# Notes to the Summary Financial Statements

## Group turnover

	2013 £000	2012 £000
An analysis of turnover by geographical market is given below:		
Europe	66,574	59,642
North America	34,038	42,645
Asia Pacific	57,200	51,410
Rest of the world	5,471	1,865
<b>Turnover</b>	<b>163,283</b>	<b>155,562</b>

## Total profit reconciliation & reserves (excluding minority interests)

	2013 £000	2012 £000
Profit before employee distributions and goodwill for the year	11,299	13,688
Disposal of subsidiary	(151)	–
Performance related bonuses	(4,683)	(5,404)
Group loyalty based reward	(1,200)	(1,500)
Goodwill amortisation/impairment	(2,515)	(1,607)
Taxation	(862)	(1,565)
Minority interest	182	19
<b>Retained profit/(loss) for the year</b>	<b>2,070</b>	<b>3,631</b>
Other recognised gains and losses	(7,822)	(5,528)
Reserves brought forward	37,558	39,455
<b>Reserves carried forward</b>	<b>31,806</b>	<b>37,558</b>

## Staff costs

	2013 £000	2012 £000
Salaries	76,674	69,554
Social security costs	6,030	4,813
Pension and post retirement costs	4,623	3,926
<b>Staff costs</b>	<b>87,327</b>	<b>78,293</b>

Both performance and loyalty based rewards are included in staff costs.

## Employee numbers

	2013 No.	2012 No.
The average weekly number of employees during the year was made up as follows:		
Designers, engineers, scientific and other technically based fee earners	1,137	1,060
Administrative and support	243	214
<b>Average number of employees</b>	<b>1,380</b>	<b>1,274</b>

The figures on pages 20 and 21 are taken from the company's full statutory accounts which are available from the UK Registrar of Companies.

# Our People, Our Community



**Anne Segall**  
Director of HR,  
Development & Training



**Del Redvers**  
Head of Sustainability

**BMT strives to be a learning organisation, one which promotes the development of our staff but also takes lessons from our experiences to adapt in a changing world.**

To recruit and retain the very best people, we are constantly trying to enhance our employees' experience of working for BMT. This year a significant focus for the business has been to support and develop our next generation, the technical and business leaders of the future.

We know that young professional staff in our business today particularly value flexibility, clear career progression and working for a socially responsible company which reflects their values. In 2013, we:

- Rolled out the next stage of our flexible benefits programme worldwide, giving our staff more choice and freedom to tailor their employment package to better suit their lifestyle needs better.
- Ran a second round of the BMT group development centre aimed at supporting less experienced colleagues in their career development and helping to secure the succession of future leaders in the business.

- Continued to encourage volunteering for social causes, with active programmes running across a number of BMT companies.
- Piloted our new tool for environmental monitoring which will roll out fully across the business in the coming months.

Many of the ideas around supporting the development of the next generation in our business came together in the first BMT Young Professionals Summit held for staff in the Asia Pacific region. It was conceived, designed and led by some of our young professionals focusing on the issues of importance to them. Over two days their conversations ranged from challenges in business ethics to career planning.

Of course it is not just about our young staff. This year has seen the delivery of a very strong global program of training and development events to support the business strategy and in particular, to strengthen our commitment to professional leadership and project management.



**Each generation doubtless feels called upon to reform the world.**



Albert Camus



1.	2.
3.	4.

**Highlights**

1. Young professionals from across the Asia Pacific region gathered to discuss the challenges and opportunities as future leaders in BMT.
2. As an organisation committed to staff development, BMT runs a comprehensive internal training programme. Here, business leaders are participating in the 1 BMT Senior Leadership Development Programme.
3. Around the world BMT staff volunteer and fundraise for many community projects. This group helped to repair enclosures at an educational urban farm.
4. Financial Controllers across the BMT companies held a conference to support each other by sharing their knowledge and experience.



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