



Clarity from complexity

Annual Report 2018

Positioned for growth



Our vision

BMT is a leading international design, engineering, science, programme and risk management consultancy with a reputation for engineering and delivery excellence. We're driven by a belief that things can always be better, safer, faster and more efficient.

Our vision is to be recognised in our core markets as the trusted partner for scientific and engineering-led advice, solutions, programmes and services, addressing the most challenging needs of our clients.

We deliver clarity from complexity.

Group at a glance

Employees

1,500

Office locations

23

Countries where BMT operate

11

Turnover

£175m

Locations



Markets



Built Environment



Coastal Infrastructure



Defence and Security



Mining and Machinery



Offshore



Specialised Ship Design



Surveys



Rail Transport



Vessel Performance



Water and Environment

Chairman and Chief Executive statement

Solid performance in a year of change

2017/2018 was a year of change for BMT. With the retirement of Chief Executive, Peter French, and the appointment of Sarah Kenny to lead the BMT business, we have taken the opportunity to comprehensively review our strategy, and to position BMT for future success and growth.

Our financial performance very much reflects this year of consolidation and refocusing for BMT with revenues and cash holding firm, whilst earnings were impacted by the cost of change – although within budgeted expectations.

Importantly, as we set our sights towards the future, our growth potential and the quality of our customer relationships is evidenced through our strong orders growth, outperforming prior year performance by £12m.

As an Employee Benefit Trust, and with no external shareholders, BMT distributes net profits to employees either through the Trust scheme, or via the Performance Related Bonus scheme. In spite of low profitability, the Board were pleased to approve an affordable employee distribution payment totalling £0.7m, to be paid during the financial year 18/19.

Developing our strategy

Sarah's arrival at BMT triggered a comprehensive review of the strategy of the group. Early changes included the realignment of our partnership structure into four market-facing businesses: Defence and Security; Environment; Commercial Shipping; and Critical Infrastructure. We also made the bold decision to move away from our siloed operating company structure and create a new organisational design underpinned by our unified brand – BMT. We are already seeing the internal collaborative benefits of this and receiving positive customer feedback. Focusing our strategy around our brand and our markets will enable our talented people to develop their careers, and will serve to sustain our core business, whilst positioning us well for growth through collaboration and the

investment in innovation in growing markets. For the first time, we are developing a five-year strategy for the group, built upon the solid foundation of applying technical excellence and integrity to deliver trusted solutions and outcomes for the most challenging needs of our customers.

Our commitment to good governance

Consistent with the ethos of an Employee Benefit Trust, we are proud of our Corporate Social Responsibility initiatives, such as STEM, community give-back, charitable donations, employee volunteering, and proactive engagement with organisations and initiatives that reflect the value we place on employee wellbeing, inclusion, and diversity. We recognise that we can and should do much more, and we will leverage our new strategy and organisation design to drive these issues harder in the coming year.

We aim to be a force for good in the world and, as such, we strive to prevent harm coming to any of our people, or to other individuals, communities or environments who may be affected by the work we do. We actively promote a positive culture of health, safety and environmental awareness, through our clear commitment to compliance with the law and other standards required by the industries within which we work, and our culture of 'calling out' and showing zero tolerance for unsafe practices. We focus on continuous improvement in our management of health and safety and we assess our performance through comparison to external benchmarks.

In terms of our people, Board and Executive development are governed through our Nominations Committee, where we aim to continually assess, review and build our skills and experience to ensure both resilience and ongoing fitness to deliver on our strategy. Our Remuneration Committee actively reflects the wider importance we place on both fairness and clarity in the way we apply rewards in relation to the attraction, recruitment, retention and development of the talented people we employ.

Financial and risk management oversight for BMT is conducted through our Audit Committee, through a process of close engagement with our executives and managers, and with the internal and external audit functions.

Looking ahead

Set in the context of a new Chief Executive and a refreshed group strategy, we have achieved a solid year's performance, whilst also setting down the foundations for growth. We look forward to reporting further upon our progress in the coming financial year.

Sir John Hood KNZM
Chairman

Sarah Kenny
Chief Executive



Operating review: Commercial shipping

From innovative ship designs and expert surveys to high value vessel performance improvements, we help customers and their cargo arrive safely, effectively and on time.

Markets and performance

Market conditions were broadly positive for commercial shipping as global GDP growth supported international trade and underpinned demand for maritime shipping.

In terms of the market for specialist vessels, this was generally buoyant, with the exception of demand from the oil and gas sector, which only showed some upside towards the end of year as higher energy prices supported investment. In these market conditions BMT performed very strongly, with a record number of successful specialist vessel services projects in progress during the reporting year, adding to an ever-increasing portfolio of vessels operational on the water. This is driving greater brand awareness and recognition of our capabilities, particularly in the US and Asia.

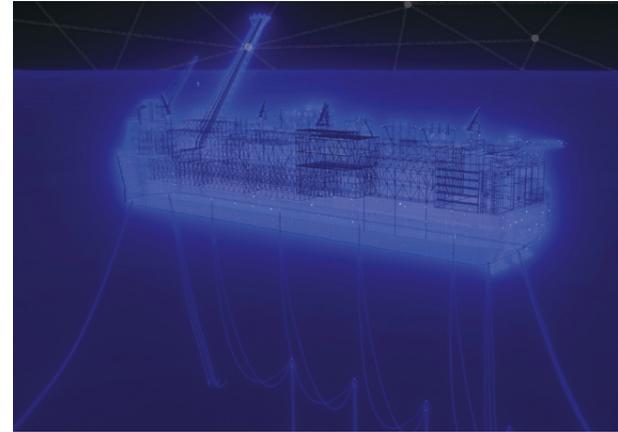
In the surveys business, hull and machinery survey markets across the world continued to suffer from extensive competition with resultant low premiums, while at the same time incurring high claim costs from a number of high-profile cases. Shipowners, particularly in the container market, still face low freight rates but the worst years appears to be over, while the protection and indemnity (P&I) insurance market is stable. Against these market conditions BMT performed well during the reporting period. This was largely due to demand for our expertise, particularly in sectors such as container shipping and tankers/chemicals, where we have a long-established reputation and market position. This helped BMT to achieve a near 100% appointment rate on major container loss casualties across the world. We continued to grow our position in newer markets such as fire and salvage.

Organisation and strategy

During the year we realigned our operations in line with strategic changes taking place across BMT, organising our services as distinct business units serving our market sectors. These capability-based business units will support collaborative working across BMT, help present us to market as one BMT and enable us to support our customers more effectively.

Outlook

We believe that our strong portfolio of specialist ship designs will create good opportunities in the medium and longer term, supported by strong shipyard relationships across all sectors. In surveys, our presentation to the market as one BMT and improved co-operation across the organisation can help us to grow in both established and newer markets as we aim to become the first choice for the global insurance market. We also see emerging opportunities within the survey-related market for simulation using our powerful software modelling tool, REMBRANDT. Across all our commercial shipping markets, by applying transferable skills and services from our business units, we can continue to grow our business and help our customers succeed.



Software to deliver a clearer picture

We introduced BMT Deep, an advanced interactive asset data platform designed by offshore maritime professionals for offshore marine professionals.

BMT Deep delivers deeper insights for enhanced asset performance management and is the product of over 20 years' practical in-field experience in offshore oil, gas and renewables. Harnessing big data to deliver a clear picture - it can store, manage, integrate, post-process and visualise vast data sets, fast.

Commercial shipping: Highlights



1: Patrol boat successfully trialed

We successfully completed sea trials for the first of two 48-metre patrol boats destined for the Qatar Coastguard. These are the latest and largest in a series of 17 Qatar patrol boats, with BMT responsible for the naval architecture.



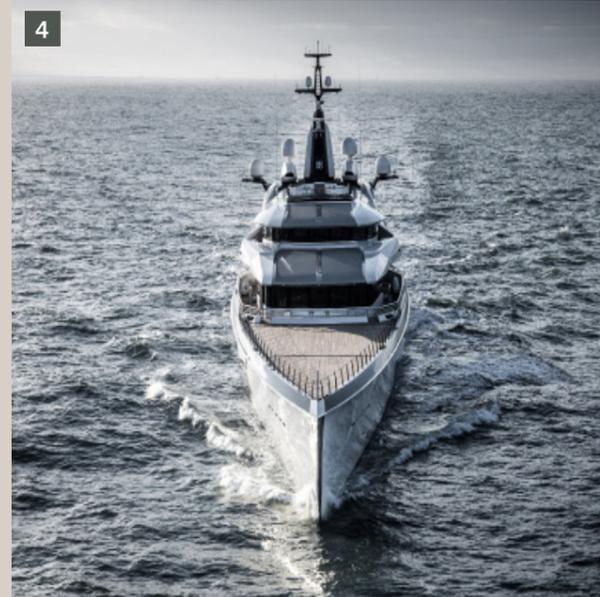
4: Super yacht joint venture

BMT teamed up with superyacht builder Oceanco to create Lateral Naval Architects. The joint venture brings together BMT's high-quality naval architecture and engineering services with Oceanco's own engineering team and network of co-makers and subcontractors.



5: Innovative yacht design

BMT's latest collaboration with super yacht builders Oceanco and Lobanov Design Studio took inspiration from Polynesian history and the region's earliest form of maritime transport, the canoe. Applying this simple and robust traditional structure to the modern-day superyacht, BMT not only designed the canoe-like hull of the striking new superyacht Tuhura but also helped to develop its hybrid propulsion system.



2: Crew transfer vessel delivers stability

The safe transfer of maintenance personnel to offshore wind farms is crucial and requires a purpose-built vessel. BMT's latest vessel, Njord Zenith, is the first of two built in China successfully completing sea trials during the reporting year.



3: Ground-breaking ferry design

The BMT designed, 31 metre, 149-passenger 'Eco Ferry' offers an unrivalled, intelligent hybrid system delivering smooth, silent and vibration-free power.



6: Investigation support to the international shipping industry

BMT's surveys group handled over 5,000 marine casualty assignments and advised on loss prevention and risk management for high-profile incidents. Our CargoHandbook.com was consulted by over 1/2 million visitors.

Operating review: Critical infrastructure

BMT provides high-value independent engineering and design services to customers in Offshore Oil and Gas, Coastal Infrastructure (including ports, terminals and marinas), Mining and Machinery, Built Environment and Rail Transport.

Markets and performance

Conditions were generally positive in our markets during the reporting period, supported by rebounding oil prices, global GDP growth and continuing investment in infrastructure. Rising iron ore prices and the fact that coal prices remain well above their 2016 lows helped to support market demand for our Mining and Machinery services despite environmental issues affecting approvals for new mines.

In coastal infrastructure, we experienced strong demand for engineering and consulting support, driven by continuing economic growth in Asia, which is increasing investment in ports and other coastal facilities.

In offshore Oil and Gas, our risk and modelling, engineering, data and digital instrumental and field services all performed well and we expect to see further growth in these areas in the next financial year.

Improving the movement of goods and people between major cities is a key priority across South East Asia, and this provided a solid platform for our growing Systems Engineering work in the rail industry.

Despite stagnation in the mining sector, our ability to help customers achieve productivity gains in difficult markets meant that even these adverse conditions presented opportunities for BMT services.

Our Built Environment services performed poorly, leading us to curtail some loss-making activity and restructure our Wind Engineering business to provide more efficient services that leverage BMT's strong reputation in this area.

Organisation and strategy

This reporting period was the first year of our organisation operating as distinct business units serving our different market sectors. These capability-based business units will support collaborative working across BMT, help present us to market as one BMT and enable us to support our customers more effectively.

Outlook

Looking ahead, two key global themes will present market opportunities for BMT. The first is increased urbanisation: about 55% of the world's population now live in cities and it is estimated that this will grow to two-thirds over the next 15 years. This is driving sustainable infrastructure and master planning, with fuel efficiency and reduced carbon footprint emerging as key topics. This will present opportunities for many key BMT services across market sectors and geographies. The second key theme is the increasing use of use of automated processes, artificial intelligence and data in markets as diverse as heavy mining machinery and hotel design. Here, our expertise in areas such as data analytics, proprietary modelling software and remote monitoring can be put to good use. By applying transferable skills and products from our business units to develop solutions to these challenges, we will continue to grow our business and help our customers succeed.



Relying on REMBRANDT
BMT's versatile ship simulator goes from strength to strength. Offering the highest standards of hydrodynamic accuracy and visual display, REal time Manoeuvring BeRthing AND Timing (REMBRANDT) is relied on by a wide variety of customers:



After several years using REMBRANDT, oil major and shipping giant Shell purchased its own in-house licence to support ongoing and future navigation projects.

REMBRANDT is increasingly used by maritime safety authorities and this year the Australian Transport Safety Bureau acquired it to support accident investigation.

In recognition of its powerful modelling abilities, REMBRANDT was this year awarded full certification by international ISO accreditation body DNV GL.

Critical infrastructure: Highlights



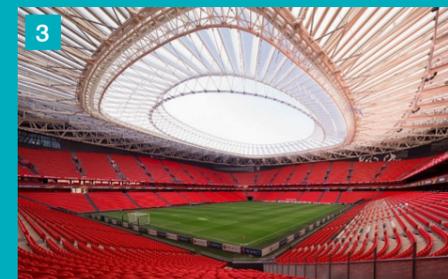
1: Service agreement in the UAE

BMT will support Al Masood Oil and Gas on a wide variety of state-of-the-art projects in the region and is part of our strategy to deliver market-leading consulting and technology to clients in the UAE.



2: Vessel tracking in Brazil

BMT won a two-year contract to provide vessel monitoring and tracking for 140 vessels around Brazil's coastline. Our monitoring systems will provide vital, real-time positioning, speed and heading information for owners and operators in the Oil and Gas sector.



3: Award-winning work at famous football ground

BMT used its wind tunnel testing expertise to support the design of a roof upgrade to improve spectator comfort at Athletic Bilbao's famous San Mames stadium.



4: Successful launch for BMT DEEP

BMT Deep was introduced in 2018. The innovative platform can monitor, review or forecast the performance of offshore assets, allowing customers to store, manage, integrate, post-process and visualise large data sets.



5: Dragline services

We saw a number of wins for our dragline products for the mining industry, such as PulseTerraMetrix, Duracluster and Virtual Dragline. Duracluster, which dramatically improves the fatigue performance of cluster joints on tubular draglines, received its US patent.



6: Full steam ahead on rail

BMT's Rail Transport business won contacts with global transport suppliers including in Indonesia with Jakarta LRT Telecommunication System, in Thailand with Bangkok Orange Line, on Hong Kong's Mass Transit Railway and in Taiwan with consultancy support on a Light Rail Ergonomic Study.

Other highlights include:

Dubai Creek Tower wind engineering
As wind engineering consultants on the iconic 928-metre Dubai Creek Tower, BMT carried out shape optimisation studies, wind loading analyses and façade wind pressure assessments.

Consulting wins

Our consulting wins ranged from port expansion consulting work in Malaysia to further uptake of our train loadout automation services and, also in bulk transportation, we carried out detailed design work for a grain transhipment vessel.

Maritime monitoring contract win in Mexico

BMT is supplying multiple monitoring maritime systems to long-time client BP for its new Mad Dog Phase 2 deepwater floating production facility in the Gulf of Mexico.

Upgraded critical monitoring systems

BMT completed an upgrade of its Single Point Mooring Telemetry and Control Systems for Terminales Maritimas Patagonias SA (Termap), a crude oil supplier based in Argentina. The systems provide real-time operational and environmental data and critical control functions to manage the integrity of two of Termap's buoys, which are used to offload crude oil from the San Jorge basin.

Operating review: Defence and security

BMT offers independent engineering, design and programme consultancy capabilities. Our technical expertise, collaborative approach and impartial advice help our customers overcome complex engineering and programme challenges to deliver outcomes that matter in our chosen “four eyes” defence and security markets of the UK, Australia, Canada and US.

Markets and performance

An uncertain geopolitical backdrop has meant that many governments have faced a persistent, emerging and growing range of threats. This has increased the demand for defence and security related solutions and services, whilst global GDP growth and stable commodity prices have combined to reduce the downward pressure on government budgets. Value for money and the need for innovative solutions remain prerequisites for all defence and security customers globally. This has provided a good market environment for BMT’s capabilities and enabled us to make strong progress during the year.

We were awarded a number of strategically important contract wins either side of our last year end that are typically long term and therefore place the business on a solid foundation for it to grow across all of its four home defence and security markets of UK, Australia, Canada and US:

- Our UK operations performed strongly, securing some of our largest and most significant contracts to date;
- In the American home market, we not only performed strongly during the year, exceeding revenue targets, but also built up our biggest order pipeline to date;
- In Canada, customers continued to trust BMT to work on their highest priority naval acquisition and support projects, helping us to diversify our customer base;
- And, as the Australian government invests heavily in defence recapitalisation, we have seized this opportunity with new contract wins and also by making an important acquisition to strengthen our submarine capability.

In year investments have also been made to broaden our international footprint with new contract awards in Thailand, the Nordics and ASEAN countries. Similarly we continued to evolve our technology led services prioritising investment in predictive cyber, AI and extended reality solutions.

Building closer links

As the UK faces the prospect of exiting the EU, trade with the wider world becomes ever more essential. BMT Managing Director, Defence and Security, Jeremy Berwick joined International Trade Secretary Dr Liam Fox and other high-profile leaders aboard the HMS Queen Elizabeth aircraft carrier as it berthed in New York harbour. This was an event organised by Maritime Nations, a campaign to raise awareness of the UK’s marine and maritime sector, which was designed to develop closer links and drive trade growth with the US.

Collaboration

We continue to integrate and leverage our global knowledge and capability across BMT, tailoring our services to suit customer-specific delivery requirements. In addition, we partner closely with our customers. One example is our recent appointment as the Engineering Delivery Partner (EDP) for Defence Equipment & Support (DE&S) within the UK Ministry of Defence (MOD). In ship design, our platforms such as QEC, MARS and LSV are going from strength to strength, opening up new opportunities for BMT and our customers to build on innovative design concepts and formats.

Outlook

At the macro level, global defence spending is anticipated to grow over the next five years. While this provides a strong backdrop in the sector, only those companies who fully understand the opportunities and challenges of a constantly changing defence and security market will be able to take advantage of such growth. Our close relationship with customers, sense of shared mission, ability to share knowledge across BMT and flexibility to deliver against changing customer needs mean we are confident that we can prosper. With a strong order book built up during the year – and by continuing to invest, collaborate and innovate – BMT is well positioned to take advantage of the opportunities that lie ahead.

Defence and security: Highlights



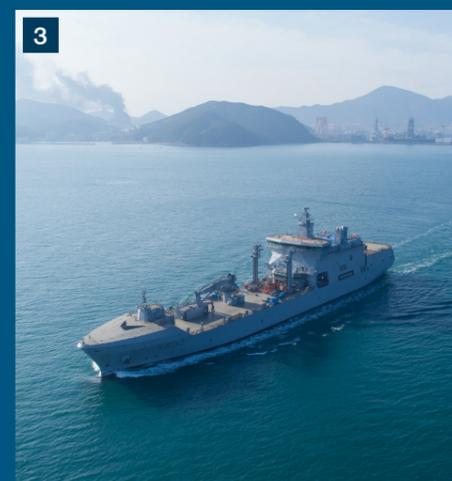
1: New key partnership – Aurora

BMT is one of three members of the Aurora Engineering Partnership. This partnership will help the UK Ministry of Defence (MOD) to reduce the costs of engineering services, while ensuring the UK’s Armed Forces receive the best equipment and support.



2: Pipeline integrity services and defence

In Canada, BMT is supporting the integrity of oil and gas onshore pipelines by applying our expertise in welding, materials and structural integrity assessments. This has helped us win new contracts in the defence sector, demonstrating how we leverage leading practice in one domain into another.



3: BMT platform success

Norway’s new 26,000-tonne logistics and support vessel is based on BMT’s scalable AEGIR platform.



MSV(L) by Vigor/BMT

4: US Army landing craft

BMT is the lead design partner for a new generation of landing craft for the US Army being built by shipbuilder, Vigor.



Spotlight on Cyber

Cyber is a growing and constantly changing threat to governments, armed forces and private sectors alike. We are helping customers – public sector and military – to combat threats and manage risks, some examples:

Transitioning to a Proactive Cyber Posture

BMT is providing Cyber Consulting into the UK MOD Cyber Programme through User Story capture, Cyber Technology and Big Data advice.

Fighting cyber crime

We helped the UK National Crime Agency (NCA) to design, build and implement a platform which provides easier and more effective analysis of data by the National Cyber Crime Unit (NCCU). The NCCU leads the UK’s response to cybercrime.’

Operating review: Environment

As commerce and governments face greater public scrutiny on environmental issues, BMT provides the expertise they need to measure, monitor and manage environmental risks.

Markets and performance

The environmental consulting market in our most active region, Australia, strengthened during the financial year, albeit from a weak base. This was supported by improvements in the resources sector and higher levels of government investment into major infrastructure projects. Although project opportunities increased as a result, competition was intense with new entrants keen to make their mark through strategic pricing and positioning. Beyond Australia, increased energy prices and continuing global GDP growth supported greater market demand for oil and gas-related environmental services, particularly in the Middle East. The exception was Indonesia, where the downturn in the Oil and Gas market continued.

We were able to successfully respond to these challenging market conditions to achieve a solid performance during the reporting year. Our long-term plan in the Middle East started to pay dividends as higher oil prices and good relationship building translated into funded projects and further opportunities. We responded to the continuing fall in the demand for energy-related environmental services in Indonesia by extending our services into alternative markets such as manufacturing, mining and infrastructure.

Despite an upswing in opportunities in the United Kingdom Continental Shelf (UKCS) market for oil and gas environmental projects, we have had difficulty in attracting and retaining key staff in Aberdeen to prosecute these opportunities. Given the strength of our global environment team, staff from Australia have been assisting where practical.

Organisation and strategy

Our consultancy services in Western Australia were merged to increase scale and improve route to market. Collaboration across environment businesses has increased in support of broader, more multi-discipline projects on offer from clients. We are now able to present to market as one BMT, which enables us to support our customers more effectively.

Outlook

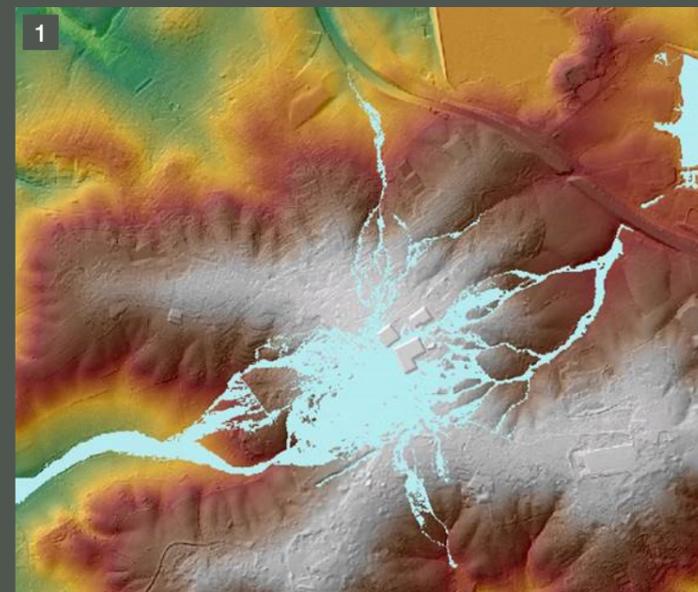
Continued collaboration will help us to realise the opportunities ahead as continuing government investment drives demand in Australia and the UK, but strong competition means agile, cost-effective working will be essential. The key to growth will be having the right talent and we will be focusing on the internal development of staff and continuous recruitment at graduate and junior levels. In Indonesia, there are signs of a recovery in oil and gas-related environmental services. While this is welcome, we also anticipate market opportunities as Indonesia comes under pressure to move away from fossil fuels and invest in alternative energy sources. Our investment into non-energy markets can also bear fruit as we build on existing strong relationships within the region.



Industry recognition

Our work during this reporting year was recognised in a number of awards. BMT's Michael Barry was the joint winner of the Engineers Australia GN Alexander Medal at the 2018 Hydrology and Water Resources Symposium. Our work on the Brisbane River Catchment Flood Study was awarded the prestigious RJ Hawken Award at the Queensland Division of the Australian Engineering Excellence Awards 2018. And BMT won the Innovative Dredging Technology of the Year category at the Dredging and Port Construction Awards 2018 for the development of one of the most powerful reclamation modelling tools in the dredging industry.

Environment: Highlights



1: UK flood modelling

BMT played a key role in a project for the UK Environment Agency to carry out rapid flood assessments for hundreds of floodplains downstream of regulated reservoirs. This will inform future emergency planning and help to reduce the impact of flooding on local communities.



2: Remediation in Indonesia

BMT was awarded a number of significant remediation support programmes, with one requiring specific environmental analysis not previously conducted before in Indonesia. Our global strength in environmental services meant we could offer this analysis using our existing knowledge and facilities in Indonesia along with our experience from USA and Australia.



3: Expert witness in Australia

As providers of expert witness services in the largest class action case in Australian history, BMT staff worked tirelessly and under intense cross examination to respond to new matters brought to light during the process. The Brisbane River Flood Class Action is ongoing, with second round testimonies continuing in 2019.



4: Strong software sales

Further development of TUFLOW, our powerful tool for modelling water flow, saw the release of a new, faster module called TUFLOW-HPC, which can run on CPU and GPU graphic cards. This supported strong software sales throughout the year and will be followed by further developments to improve the software and increase its value to customers.

Corporate governance

We believe that good corporate governance is the cornerstone of a successful and sustainable business.

As a private company BMT is not required to comply with the 2018 Corporate Governance Code, but we have carefully considered it in developing our own model, which demonstrates high levels of corporate governance and aims to support BMT's medium and long-term success. Establishing this model has been particularly important during the company's recently completed internal legal restructuring.

In the sections that follow we describe BMT's key areas of governance, with a brief explanation of how and why we implement them.

Who governs BMT?

BMT is governed by our Board of Directors, who use their industry experience and business leadership to develop BMT's vision and strategy. The implementation of BMT's strategy is the responsibility of the Executive Committee.

The Board of Directors comprises members of the senior executive team and independent, non-executive directors with relevant skills and experience who bring a fresh perspective and oversight to the business.

Our governance policy provides clarity over which matters are the Board's responsibility and which are the responsibility of the Committees of the Board. There are also clear delegated authorities to provide transparent internal controls.

See our website for a full list of board members and their skills and experience.

How are board members appointed and how often do they meet?

We have a minimum of four board meetings a year plus regular Committee meetings. We believe it is healthy for membership of the board to be periodically refreshed and this is regularly reviewed and succession is proactively planned.

How is board performance evaluated?

The Board and its committees undergo an evaluation process on an annual basis and the outcome of the evaluations are shared and discussed with members of the Board and Committees with actions taken to enhance performance as a result of the feedback received.

How do we avoid conflicts of interest?

We have a Register of Interests which is centrally maintained by the Company Secretary. This is carefully considered at each Board meeting to give everyone an opportunity to raise an issue or to absent themselves from an item if they are conflicted. This process is also used by the Executive Committee.

Who decides how much directors get paid?

We have a clear, transparent and open process on executive remuneration and determining director and senior management remuneration. This is overseen by BMT's Remuneration Committee whose Chair reports directly to the Board.

Whose interest must directors act in?

We believe that, as enshrined in Section 172 of the Companies Act 2006, directors should promote the success of the company for the benefit of its members as a whole and with regard to the interest of all stakeholders including employees, customers, suppliers, communities and the environment. They should also support the company maintaining a reputation for high standards of business conduct and ethics.

How do we engage with our employees?

Our business depends on the skills, experience and insight of our people – so their welfare, safety and views are vital to our company. In addition, as an employee benefit trust, we have a particular focus on acting in the interests of our employees. We take every opportunity to engage with our employees including: employee surveys, employee interest groups, Executive Committee information roadshows twice a year and an open emailing process for employees to feedback to senior leaders.

Do employees get a say in how BMT is run?

We have an Employee Engagement Group (the equivalent of a staff council) who meet regularly with the CEO and HR Director alongside more informal, local meetings with our Operating Unit Managing Directors. The EEG reps also meet periodically with our Board Members and Trustees.

How do we promote the welfare of our employees?

The physical, mental and financial welfare of our employees is of paramount importance to BMT. We have a global, holistic wellbeing programme that is refreshed on a quarterly basis and comprises of both global and local events and interventions to support our employees.

How do we support diversity and inclusion?

We are responsible for ensuring that our working environment values diversity and aims to provide equality and inclusion in the workplace. BMT seeks to ensure this by

- promoting mutual trust, support and respect;
- ensuring equality of opportunity;
- recognising the contribution of all;
- training recruiting managers in the avoidance of unconscious bias;
- maximising personal development and career advancement; and
- promoting a work-life balance.

How do we make sure employees safely raise their concerns?

BMT is committed to creating and maintaining a working environment which exemplifies integrity and accountability and adopts systems that support transparency in decision making, good governance and ethical behaviour. Our Raising Concerns Policy supports the disclosure by individuals of wrongdoing occurring within BMT so that appropriate action can be taken. BMT will treat all information disclosed in a confidential manner (so far as circumstances permit), conduct a fair and objective investigation and take appropriate remedial steps or notify relevant authorities.

How do we keep employees safe?

The health and safety of our employees is a top priority for BMT. As well as ensuring compliance with legal and industry standards, we also develop and ensure compliance with our own safety procedures. To demonstrate our commitment to Health and Safety, BMT Group is accredited to the Health and Safety Management Standard ISO45001 2018 by LRQA. All operating companies within the group are encouraged to follow this lead and seek accreditation.

How do we develop sustainability?

The long-term success of BMT depends on the communities and environments in which we operate, so we carefully consider our social impact and how we add value to communities and individuals, as well as managing and reducing our negative environmental impacts.

We constantly challenge our operations to bring new and sustainable approaches to the way we do things. We value human and labour rights and hold ourselves and our supply chain accountable, and continually carry out due diligence to identify, prevent and address actual or potential human rights impacts resulting from our direct or indirect operations.

How do we manage risk?

With over a thousand employees at work on hundreds of large-scale projects across the world, BMT is fully committed to – and highly experienced in – managing risk. Yet we understand that risks extend far beyond the waves or warships to areas such as financial, environmental, regulatory and reputational risks.

To manage these risks, we measure their impact and probability against a standard matrix to establish whether our current controls are adequate. Where they are not, we develop and prioritise further mitigating actions to reduce risk probability or impact and track progress of these actions until they become one of our operating norms. Our risk exposure across financial, environmental, regulatory and reputational categories is regularly reviewed and considered at board and committee meetings.

Financial review

A solid financial performance as we refocus the business.

Revenues increased by 2% to £175.7m while underlying operating profits (EBITDA) fell by 36% to £6.1m during the reporting period. This reflected the fact that we began our six-year transformation programme during this financial year, investing in our core business to better position BMT for future growth. It was also necessary to curtail some activities in our Built Environment services. Here, while the decisive action we took had a negative impact on this year's earnings, by acting swiftly we have stemmed any future losses and repositioned that area of the business for profitable growth.

Markets

Market conditions improved during the year as oil prices gave our energy customers more confidence to invest in our services. As the global economy continued to grow, albeit slowly, so demand for commercial shipping and related services improved. A combination of less pressure on public spending and heightened threat levels meant that Defence markets in all our principal domains proved strong. While we have many UK-based people and operations, they typically serve markets across the world, so we have not suffered from the softening demand that Brexit is reported to have had on UK businesses. This again illustrates the strength of having such well-diversified activities, in terms of both sectors and geographies.

Recovering markets meant that we spent more time and money bidding for new work. While this incurred expense without any immediate financial return, we are already seeing significant project wins as a result.

Margin

Despite strengthening demand, our customers remain cost sensitive and margins across the group reacted accordingly. However, in the areas where we provide high knowledge, niche services, the margins remain good – and as we grow our business towards high value services we expect them to improve.

Cashflow

It was pleasing that, despite our investments in the business during the reporting period, we were able to achieve a second continuous year of positive cash generation.

Employee distribution

There were a number of factors behind a reduction in the funds available for distribution to employees. Clearly, the fall in profits meant there was less money to distribute. In addition, there was a greater tax liability related to those profits, which further reduced such funds. The need to retain sufficient profit to invest in future growth is essential as we continue our transformation programme. While this may impact distribution in the short term, we believe it will be positive for staff in the longer term and many are already seeing benefits as we invest in office refurbishments and other improvements to the working environment.

Pension

As the low interest rate environment continues, so does our need to set more money aside to meet pensions liabilities. Put simply this is because, as bond yields remain low, we need to buy more bonds in order to generate the income that our pensioners are calculated to require in the future. So, although we continue to pay in £2.5m per year according to our pension recovery plan, the accounting deficit is not currently reducing. It is important to understand, however, that these are long-term liabilities, subject to regular adjustment, and do not need to be met in the short term.

Currency

In the year previous to this reporting period, the prospect of Brexit led to a significant fall in the value of the pound. As a result, the rate at which our overseas earnings converted into sterling was positively impacted. This was not, however, repeated during this reporting period, meaning that our ability to increase revenue during the year was a considerable achievement.

Outlook

We entered the reporting period with a strong order book and we left it with an even stronger one – at the highest level BMT has ever achieved. This reflects not only improving market conditions but also the value and competitiveness of our services and expertise. Both of these bode well for the future and – as our transformation gathers pace across the business – the outlook is positive.



David McSweeney
Chief Financial Officer



Summary financial statements

Summary consolidated statement of comprehensive income for the year ended 30 September 2018

| | 2018 £000 | 2017 £000 |
|--|------------------|--------------|
| Turnover | 175,681 | 172,352 |
| Operating costs (before interest, tax, depreciation & amortisation) | (169,538) | (162,750) |
| Underlying EBITDA | 6,143 | 9,602 |
| Depreciation, amortisation & impairments | (3,292) | (3,697) |
| Operating profit | 2,851 | 5,905 |
| Fixed asset investments: | | |
| Operating Costs | | |
| Fair value (loss)/gain | (17) | (58) |
| Net interest payable | (830) | (1,089) |
| Profit before employee distributions and taxation: | 2,004 | 4,758 |
| BMT employee profit sharing schemes | (700) | (3,845) |
| Profit before taxation* | 1,304 | 913 |
| Taxation | (1,051) | (373) |
| Retained profit for the year | 253 | 540 |

Summary consolidated statement of financial position as at 30 September 2018

| | 2018 £000 | 2017 £000 |
|--|-----------------|--------------|
| Intangible assets | 752 | 1,010 |
| Tangible assets | 13,674 | 15,000 |
| Investments | 5,480 | 5,607 |
| Total fixed assets | 19,906 | 21,617 |
| Current assets | 85,847 | 88,763 |
| Creditors: amounts due within one year | (39,234) | (42,602) |
| Net current assets | 46,613 | 46,161 |
| Total assets less current liabilities | 66,519 | 67,778 |
| Creditors: amount due after one year | (2,223) | (2,458) |
| Provisions for liabilities | (1,197) | (1,249) |
| Net assets before pension liability | 63,099 | 64,071 |
| Pension liability | (35,888) | (32,404) |
| Net assets after pension liability | 27,211 | 31,667 |
| Profit and loss reserve | 52,595 | 53,587 |
| Other reserves – Pension | (29,740) | (26,627) |
| Other reserves – Fixed assets | 4,181 | 4,707 |
| Non-controlling interests | 175 | — |
| Total funds | 27,211 | 31,667 |

Approved by the Board on 13 December 2018

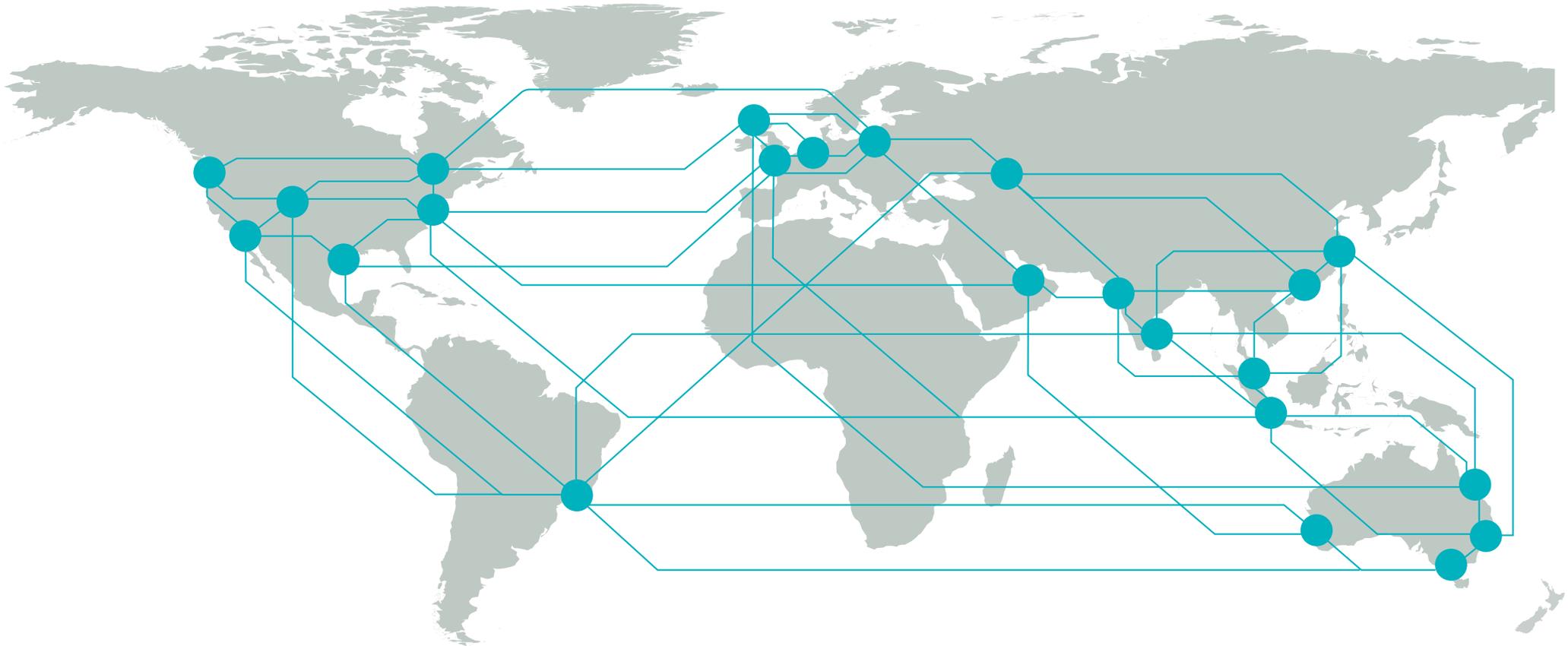


S Kenny
Director



D McSweeney
Director

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



Contact

Europe, Middle East and Africa
1 Park Road
Teddington
TW11 0AP
United Kingdom

Americas
4401 Ford Avenue
Suite 1000
Alexandria
Virginia, VA 22302
USA

Asia Pacific
456 Alexandra Road
#15-01 Fragrance Empire Building
Singapore
119962

Australia
Level 8, 200 Creek Street,
Brisbane, Queensland, 4000,
Australia

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T +44 (0)20 8943 5544
E enquiries@bmtglobal.com

T +1 703 920 7070
E inquiries@bmtmail.com

T +65 6517 6800
E asiapacific@bmtglobal.com

T +61 7 3831 6744
E enquiries-au@bmtmail.com