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 engineering and engineering-led advice, solutions, programmes and services, addressing the most challenging needs of our clients. We deliver clarity from complexity.

BMT operates internationally across the following markets:

- Coastal Infrastructure
- Rail Transport
- Defence and Security
- Environment
- Commercial
- Offshore

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We deliver clarity from complexity.

Our financial performance very much reflects this year's consolidation and refocusing for BMT in the wake of the previously announced £175m of goodwill impairment. Although earnings were impacted by the cost of these actions, we still achieved revenue of £558m, with strong orders growth, outperforming prior year by £12m. Financial and risk management oversight for BMT is conducted through our Audit Committees, through a process of close engagement with our executives and managers, and with the internal and external audit functions.

Looking ahead

In the context of a new Chief Executive and refreshed group strategy, we have achieved a solid year's performance, whilst also setting down the foundations for growth. We are now well positioned for further expansion in the coming financial year.

Chairman and Chief Executive statement

Chairman

Sir John Hood KNZM

Chief Executive

Sarah Kenny
Operating review: Commercial shipping

From innovative ship designs and expert surveys to high value vessel performance improvements, we help our 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 the 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 execution during the reporting year, enabling us to increase our market share and achieve a near 100% appointment rate on major container shipping and tankers/chemicals, where we have a long-established reputation and market position. This helped BMT 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.

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 the 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 around the world. 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.

Commercial shipping: Highlights

1: Patrol boat successfully trialled

We successfully completed sea trials for the first of two 46-metre patrol boats designed for the Celler Coastguard. These are the latest and largest in a series of 17 Patrol craft built, with BMT responsible for the naval architecture.

2: Crew transfer vessel delivers stability

A successfully completed sea trials for the first of two 48-metre patrol boats designed for the Galway RNLI. These are the latest and largest in a series of 17 Patrol craft built, with BMT responsible for the naval architecture.

3: 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 super yacht, BMT not only designed the canoe-like hull of the striking superyacht Tikiboo but also helped to develop its hybrid propulsion system.

4: Super yacht joint venture

BMT teamed up with experienced Irish superyacht builder Oceanco to create Luminous, the world’s first networked super yacht. The joint venture brings together BMT’s high-quality naval architecture and surveying capabilities with Oceanco’s own engineering team and network of co-makers and subcontractors.

5: Innovative yacht design

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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 and gas and renewables. Harnessing big data to deliver a clearer picture - it can store, manage, integrate, post-process and visualise vast data sets, fast.

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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.
Defence and security:

• 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 expectations, 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 our evolve our technical led services prioritising investment in predictive cyber. At and extended realty solutions.

Building closer ties
As the UK faces the prospect of exiting the EU, trade with the US.

Collaboration
We continue to integrate and leverage our global knowledge and capability across BMT, taking our services to suit customers specific delivery requirements. In addition, we partner closely with our customers. One example is our recent appointment as the Engineering Delivery Partner (EDP) to Defence Equipment & Support (DES) within the UK Ministry of Defence (MOD). In ship design, our platforms such as QEC, MARS and USV 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 understand the opportunities and challenges of a constantly changing defence and security market will be able to take advantage 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 — we are well positioned to take advantage of the opportunities that lie ahead.

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 eye" 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 have 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 the UK, Australia, Canada and US.

- Operating review: Defence and security

BMT is well positioned to take advantage of the opportunities that lie ahead.

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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 investment into non-energy markets can also bear fruit as Indonesia comes under pressure to move away from fossil fuels and invest in alternative energy sources. While this is welcome, we also anticipate market opportunities as Indonesia extends our services into alternative markets in the demand for energy-related environmental services.

Industry recognition
Our work during the 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 Engineers Australia's Engineers Excellence Awards. BMT won the Innovative Dredging Technology of the Year category at the Dredging and Port Construction Awards 2018. And 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 and reach enables us to support our customers more effectively.

Environment: Highlights

1. UK flood modelling
BMT recently took on a UK project for the UK Environment Agency to carry out flood risk assessments for hundreds of floodplains downstream of regulated reservoirs. This will inform future emergency planning and help to improve the extent of funding on local communities.

2. Remediation in Indonesia
BMT was awarded a multi-million-dollar remediation support project to undertake remediation services for the development of one of the most powerful reclamation category at the Dredging and Port Construction Awards 2018. Additionally, 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 Engineers Australia’s Engineers Excellence Awards. And BMT won the Innovative Dredging Technology of the Year category at the Dredging and Port Construction Awards 2018.

3. Expert witnesses in Australia
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4. Strong software sales
Further development of TUFLOW, our powerful flood modeling software, 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.

Operating review: Environment

Despite an upswing in opportunities in the United Kingdom Continental Shelf (UKCS) market for oil and gas environmental projects, we faced difficulties 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 seconded where practical.

Organisation and strategy
Our consultancy services in Western Australia were merged to increase scale and improve interface to market. Collaboration across environment businesses has increased in support of Greater, more multi-discipline projects. The client-focused approach has 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. 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. 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 global strength and reach enables us to support our customers more effectively.
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. This process has been particularly important during the company’s recently completed internal legal restructuring. As a result of the feedback received, we have implemented changes to support BMT’s medium and long-term success.

Who governs BMT?

BMT is governed by our Board of Directors, who use their knowledge and experience to ensure that BMT’s strategy is the responsibility of the Executive Committee. The Board of Directors comprises members of the senior executive team and Independent Directors with relevant skills and experience who bring a fresh perspective and insight to the executive directors. Our governance policy provides clarity over which matters are the responsibility of the Board and which are the responsibility of the Committees of the Board. There are also clear delegated powers to provide transparent internal controls.

How do we make sure employees’ safety is a priority? BMT is committed to creating and maintaining a working environment which values health and safety, and adopts systems that support transparency in decision making, encourage individual accountability and continuous improvement. Our Business Ethics and Compliance Policy supports the disclosure by individuals of wrongdoing occurring within BMT and the protection of people for employment to senior leaders.

Do employees get a say in how BMT is run?

We have an Employee Engagement Group with the equivalent of a staff council which meet regularly with the CEO and HR Director alongside more informal, local meetings with our Operating Unit Managing Directors. The EEG reps also meet with BMT’s Remuneration Committee whose Chair reports directly to the Board.

How do we support sustainability?

The health and safety of our employees is a top priority for BMT. We believe that good corporate governance is the cornerstone of a successful and sustainable business. 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 continuously 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?

We cover a thousand employees at sites on hundreds of large-scale projects across the world. BMT is a fully committed ‘HN’-highly experienced in managing risk. We understand that risks extend far beyond the waves or warships to areas such as financial, environmental, regulatory and reputational risks.

For manage these risks, we measure their impact and probability against a standard matrix to establish whether our risk exposure is acceptable. We then develop and prioritise further mitigating actions to reduce risk to – and highly experienced in – managing risk. We understand that risks extend far beyond the waves or warships to areas such as financial, environmental, regulatory and reputational risks.

How do we support diversity and inclusion?

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Marginal recovery in the year to 30 September 2018

Among the key factors that contributed to this continued improvement were:

- Improved market conditions and an increased focus on high value services
- Reappraisal of our core business and strategies for future growth

This resulted in a 3.5% increase in turnover to £176,681,000 for the year ending 30 September 2018. Earnings before interest, tax, depreciation & amortisation (EBITDA) fell by 36%, to £6.1m, although this is a reflection of our six-year transformation programme.

We are pleased to report a 36% increase in operating profit to £17,267,000, from £12,816,000 in the previous year. This represents a return on turnover of 9.7%, compared to 7.3% in 2017. Our profit before employee distributions and tax for the year was £20,404,000, compared to £15,376,000 in the previous year.

We are also pleased to report a 31% increase in net assets after pension liability to £64,073,000, compared to £48,746,000 in the previous year. Our cash flow for the year was £1,010,000, compared to a deficit of £1,971,000 in 2017.

Pensions

The pension deficit has been reduced from £32,404,000 in 2017 to £26,627,000 in 2018. This is largely due to the benefit of our pension recovery plan, which has resulted in a reduction of £5,777,000 in the accounting deficit.

We continue to pay in £2.5m per year according to our pension recovery plan, and we expect that this will be sufficient to meet our obligations in the longer term. However, we continue to monitor the position.

Future outlook

We believe that the growth in demand for our services and expertise, coupled with our continued focus on high value services, position us well for future growth.

The BMT Group

David McSweeney
Chief Financial Officer
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.