ANNUAL REPORT FOR 2017

The following is an extract from the Report of the Directors for the financial year ending 31 March 2017.

Background:

The Society of Maritime Industries (SMI) is the voice of the UK's maritime engineering and business sector promoting and supporting companies which build, refit and modernise commercial and naval vessels, and supply equipment and services related to all types of ships and underwater vehicles, ports and terminals infrastructure, offshore oil & gas, maritime security and safety, marine science and technology, maritime autonomous systems and offshore renewable energy. SMI provides a wide range of activities both internationally and in the UK for the benefit of the maritime engineering business community.

The Board recognises that member companies, in assessing the value of their membership, must perceive that they belong to a vibrant and active trade association. When joining SMI companies are invited to select from a list of six broad market areas which are of interest to their business. Each of these market areas considers policy and activities through a Council of members. The six areas are:

- Commercial maritime operations, ship building, repair, and marine equipment
- Marine science and technology
- Maritime autonomous systems
- Naval and maritime security
- Offshore industries including renewable energy
- Ports and terminals infrastructure

By organising ourselves in this way SMI achieves the active participation of the majority of its members in our activities and continues to ensure it seeks out business opportunities which meet the needs of its members across a broad range of markets. During the year the group for maritime security and safety was put into abeyance and its functions assumed by the other SMI groups.

Achievements:

All our activities are designed to assist member companies achieve growth in a competitive international market place. This is achieved through directly promoting companies, providing a range of export services, being a source of information and advice, assisting with access to government and funding from government schemes and creating the opportunity for important networking.

Our programme of exhibitions and seminars has furthered our members’ interests and we successfully sponsored UK national pavilions or maintained a presence at many of the major maritime trade events in the world calendar.

On the exhibition front we have organised groups to or supported 9 trade shows: Posidonia 2016 (Greece), Balt Military Expo 2016 (Poland), SMM 2016 (Germany), Seatrade Maritime Middle East 2016 (UAE), Euronaval 2016 (France), Exponaval 2016 (Chile), International Workboat Show 2016 (USA), Oceanology International North America (USA) and INMEX 2017 (Vietnam).

Our programme of seminars, conferences and visits are designed to inform our members and the industry at large on the latest developments and market opportunities. Although too numerous to mention them all, seminars and networking events have been held on: “The procurement and build programme for the polar research vessel”; “Accessing business opportunities in the naval programmes of Australia”; “The decommissioning of offshore structures”; “Ports security and safety”; “Control of man-made underwater noise: the technological and environmental challenges” and “Current trends in shipping”. A successful visit was also arranged to the Physical Modelling and Ship Simulation Centre Facilities at HR Wallingford Limited in Oxfordshire. For programming reasons it was necessary to postpone the annual conference which consequently fell outside the financial year.
On 6 July 2016 SMI was a party, together with Maritime London, to a Memorandum of Understanding with the Mauritius Ports Authority and Port Users’ Council. The auspicious occasion took place at Mansion House under the auspices of the then Lord Mayor, Alderman the Lord Mountevans. Prior to the signing SMI and Maritime London held a business exchange meeting with the Mauritian delegation at The Baltic Exchange, which enabled our members to present on their capabilities to the visiting delegation. Later in the month we hosted a high level delegation from Oman led by Eng. Abdulrahman Al Hatmi, Group Chief Executive of Oman Global Logistics Group S.A.O.C and including the Chief Executives of three of the country’s major ports. Once again a number of members had the opportunity to present on their capabilities.

The SMI annual dinner returned to its usual venue of the House of Commons in November, hosted by one of the SMI Hon Vice Presidents, Mrs Flick Drummond MP. The guest of honour was Sir Robin Knox-Johnston CBE, who provided a fascinating account of his single handed and non-stop around the world voyage in his yacht in 1968. Once again there was a full house at the SMI AGM luncheon, held at Coopers’ Hall in the City of London, where members listened to Dr Huw Griffiths, Marine Biogeographer, from the British Antarctic Survey (BAS), who spoke on the topic: “Ice, ships and science – All at sea in Antarctica”. The AGM Luncheon is also the occasion when the President presents SMI’s student award which this year went to Ms Kate Devereux, University of Southampton, for her paper “Investigation into the suitability of composite materials for the construction of marine propellers.”

At the political level SMI has had a busy year. Following the appointment in April 2016 of Sir John Parker to study and report on a potential UK national shipbuilding strategy, SMI has been actively involved with providing evidence to Sir John, and subsequently to government, as the latter has worked to produce the National Shipbuilding Strategy. In August the Government Office for Science announced a Foresight project looking at the important future trends, challenges and opportunities for the UK from the sea, called Future of the Sea. A presentation and discussion meeting was held in September to inform the project team and subsequently the SMI Chief Executive was invited to join the expert review committee led by the government’s Chief Scientist, Sir Mark Walport. The final report is expected to be published in the summer of 2017.

On the back of the House of Lords Science and Technology Committee Inquiry into autonomous vehicles, in October 2016 SMI was invited to provide a marine perspective. Subsequently, and with only a few weeks’ notice, a submission was made to the Inquiry which was accepted for publication. The Maritime Growth Study (MGS) came under the spotlight in January 2017 when the Department for Transport announced it was undertaking a “stocktake” and requested an assessment on progress and priorities. This coincided with a review of the MGS by the House of Commons Transport Select Committee and SMI made submissions to both of these. Also in January 2017 the government published the Industrial Strategy Green Paper consultation. Each of the six SMI Councils had the opportunity to consider the issues posed before the SMI Board finally signed off a comprehensive submission correlating the views of a large portion of the membership.

Although SMI did not take a position in respect of the EU Referendum in June 2016, the subsequent change of government ministers and the creation of the Department for Business, Energy and Industrial Strategy (BEIS) has increased our political engagement. Through our membership of Maritime UK (MUK), SMI was invited to join the Maritime Strategy Committee, led by the Department for Transport, which feeds into the Ministerial Working Group for Maritime Growth. The SMI Chief Executive was also part of a MUK delegation to meet the Financial Secretary to the Treasury to discuss a wide ranging agenda which included the National Shipbuilding Strategy and Industrial Strategy. MUK also assumed oversight of many of the working groups of the Marine Industries Leadership Council (MILC), expanding the membership of the working groups to take account of the wider range of sectors represented by MUK. A new working group was set up to focus on policy issues and the SMI Chief Executive is Vice Chair of this group.

In the other MUK/MILC working groups Mr Russell Gould of Kelvin Hughes chaired the Export and Investment Group and the SMI Chief Executive chaired the Technology and Innovation Group. The changes in the government during the last year had delayed the scheduled meetings of the MILC, which met only once in the last year with a BEIS minister. The MILC is jointly chaired by BEIS Minister, Lord Prior of Brampton, and Mr Gregory Darling, Chairman of Gardline and a member of the SMI’s Board. Furthermore, Mr John Hudson of BAE Systems Maritime, a member of SMI’s Board, and the SMI Chief Executive are Vice Chairs of the MILC. In addition SMI’s Chairman, Mr Peter French, has a seat on the
MILC as one of the three trade associations represented.

The MILC programme on Maritime Autonomous Systems (MAS) continues and seeks to address the technical, legal and societal challenges of implementing these systems into a wide range of applications. The SMI Chief Executive is the Chair of the MILC MAS Steering Group and Mr James Fanshawe (AutoNaut Ltd) is Chair of the Regulatory Working Group. In May SMI was the publisher of an industry Code of Conduct into MAS surface ships on behalf of the MILC. The Code was widely circulated during the International Maritime Organisation session for MSC96 and was well received. A large number of member companies have been involved with this work and provided a substantial amount of their time.

In other areas of political activity, SMI is an industry member of the Parliamentary and Scientific Committee and the All Party Parliamentary Maritime & Ports Group. We are also one of the three trade associations which represent the defence industry on the Defence Industries Council and Board member, Mr Ed Bates of Aish Technologies is SMI’s representative on the Ministry of Defence’s Defence Suppliers SME Forum. In addition to our political contacts the Board and executive staff have regular dialogue with officials from the Department for Business Energy and Industrial Strategy (BEIS), Ministry of Defence (MOD), Department for International Trade (previously UK Trade & Investment (UKTI)), Department for Transport (DfT), Foreign & Commonwealth Office (FCO) and the Department for Environment Food and Rural Affairs (Defra). In respect of the latter the SMI’s Chief Executive is a member of Defra’s Marine Industries Liaison Group (MILG) of the Marine Science Coordination Committee and sits on the Advisory Council of the National Oceanography Centre.

More widely SMI’s Chief Executive is a member of Scottish Enterprise’s Aerospace Defence, Marine and Security Industry Leadership Group and SMI is on the list of nominating organisations for the Lloyd’s Register Technical Committee. The Committee is responsible for technical issues connected with LR’s marine business and proposed alterations in the existing Rules and new Rules for classification. We are grateful to Mr Muir McDonald, Managing Director of BMT Defence Services Ltd, and Dr Phil Thompson, Managing Director of BMT Ship & Coastal Dynamics, for fulfilling these roles.

Many of SMI’s activities are designed to assist industry with exports. We are accredited with Department for International Trade as a Trade Challenge Partner which permits us to administer Trade Show Access Programme (TAP) grants to companies for the overseas exhibitions at which we organise UK groups. We have also achieved an additional level of accreditation to arrange activities as a Sector Partner.

During the year SMI was invited to be one of the supporting organisations for London International Shipping Week (LISW) which is planning its third event in the series during September 2017. LISW is strongly supported by government through the Department for Transport and has broadened its appeal to include all aspects of the marine and maritime cluster. The SMI Chief Executive serves on the Steering Group and the SMI Chairman on the Board of Advisors.

On 31 December 2016, SMI resigned as a member of the European association, SEA Europe. Until that date SMI’s Chairman, Mr Peter French of BMT Group, served on the Board of SEA Europe as a Vice Chairman and SMI also served on a number of working groups and participated in the Ship Maintenance Repair and Conversion group, which is an independent autonomous working group of SEA Europe. The decision to resign was not related to the EU Referendum but to a doubling of subscription fees from 2017 which the SMI Board felt could not be justified within our limited resources. Furthermore, SMI resigned from the Brussels based independent research body Vessels for the Future, following its changes in its governance.

The Councils representing the six business areas of SMI have met on a regular basis and formulated the strategy which covers their interests. This direct input by industry is important in ensuring that SMI can portray accurately the views of the membership and we acknowledge the commitment of those members willing to give their time by serving on our Councils and committees.

Our web portal, www.maritimeindustries.org, continues to portray the activities of SMI and members to a wider audience and generate new membership enquiries over the year. The modernisation of the web site to assist those viewing it via tablets and smart phones has been a success and communications are augmented by taking advantage of networks such as Twitter and LinkedIn.
Finally, SMI maintains an office in Shanghai, China, staffed by our resident China manager, Mr Chen Li Ming who continues to assist maritime companies in the Chinese market and provides market intelligence on the business opportunities in this important market.

**The Future:**

Against the background of an improving global economic outlook an underlying consideration on the future prospects for the sector will be the terms of the UK's exit from the European Union. Many of the prospects outlined in last year's report continue to move up the business agenda and will provide opportunities for the maritime engineering sector. The further development of wind farms and potential for tidal energy in UK waters together with the need for operation and maintenance support will require a range of capabilities from the maritime engineering sector. In addition the decommissioning of offshore structures has moved from the planning to the implementation stage and the interest in a wide range of applications for maritime autonomy to resolve a variety of challenges will begin to create financial returns. The Royal Navy exercise Unmanned Warrior 2016 was considered to be a great success for industrial collaboration and involved a large number of SMI members, demonstrating how far the technology has advanced. New environmental standards form the International Maritime Organisation are coming into force, particularly the Ballast Water Management Convention in September 2017, in which a number of SMI members have an interest and these will provide business opportunities.

There is also a new political landscape in the UK with the imminent publication of the National Shipbuilding Strategy (NSBS). Having been a major contributor to the development of NSBS, SMI anticipates that it will be at the forefront of the government’s plans to ensure its members benefit from the improving focus on our country’s maritime capability, hopefully through fully financed future procurement programmes. The impending Industrial Strategy will also provide an opportunity for SMI to be involved with a range of Sector Deals to drive the productivity of our members.

At all levels of government SMI is recognised as the representative association of the maritime engineering sector and will continue to promote the sector to ensure the right business environment is created to enable our companies to prosper. SMI works tirelessly supporting members in seeking new business opportunities and the continued interest from potential members suggests that our actions are being noticed. The Board of Directors is a representative body of the wide range of companies in membership and will ensure that SMI offers value for money for its members and supports their business development by delivering the types of services its members and the industry require. This ensures that the mission statement of “promoting and supporting the interests of all UK companies that do business in the maritime industries” remains at the forefront of our minds.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Society of Maritime Industries