

Company Number: 1887373

British Maritime Technology Limited

REPORT AND ACCOUNTS

30 SEPTEMBER 1998



COMPANY LIMITED BY GUARANTEE

DIRECTORS

Dr N E Cross
W Ferguson
G H Fuller
J P Gallagher
D Goodrich
O Roith CB
Dr B G Smith OBE
B A Smouha
Vice Admiral Sir Peter Woodhead KCB

LIFE PRESIDENT

Dr J Birks CBE

COMPANY SECRETARY

G Turner

AUDITORS

Baker Tilly
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

BANKERS

Barclays Bank Plc
National Westminster Bank Plc

SOLICITORS

Freshfields
Rakisons

REGISTERED OFFICE

Orlando House
1 Waldegrave Road
Teddington
Middlesex
TW11 8LZ

REPORT AND ACCOUNTS
for the year ended 30 September 1998

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CHAIRMAN'S STATEMENT

During this financial year British Maritime Technology Ltd (BMT) changed its constitution by forming an employee benefit trust (EBT) to act as its beneficial owner. At an extraordinary general meeting the members of BMT voted unanimously to change the Memorandum & Articles of Association so that the sole voting members are now the Trustees of the EBT. The original members will continue as ordinary members.

This is a significant step forward, as it puts BMT on a stable footing for the long-term and, additionally, provides a means of rewarding staff for their loyalty. Indeed, in deciding that this was the most appropriate way forward, we have ensured that staff become eligible for participation in a new BMT profit share scheme only after a full three years' service, thus providing a reward for company loyalty.

The constitutional change has been modelled on that of the successful John Lewis Partnership. It is very much in line with Government policy to include staff as stakeholders. The value of the BMT profit share scheme payable as a result of this years' trading is £1,400,000: i.e. the balance between this years' profit and that amount of money which the Board believes is needed to be retained to continue the development of BMT.

The years' trading has been very successful, despite providing for losses in the Far East, which is still in the midst of economic turmoil. I do believe, however, that our investment in the Far East - largely through the Babbie BMT joint venture - will in the long run return to profitability.

In terms of our acquisition strategy, we have achieved during the year the purchase of Scientific Marine Services Inc (SMS) in Escondido (near San Diego) and near Houston, in the United States. This is a company which has been very successful in innovative measuring and monitoring systems for novel marine applications, mainly for the offshore oil and gas industry. SMS came into BMT on 1 April 1998 and has had a very good first six months.

For the next financial year we will continue to look for appropriate acquisitions, whilst consolidating and enhancing our wide range of subsidiary companies. We will continue to foster R&D in support of our trading subsidiaries, ensuring that they remain at the leading edge of technology. BMT is gradually moving towards higher value business and is well prepared for the predicted knowledge based economy.

As post balance sheet events, we have also purchased Cordah Limited and GVA Consultants AB. Cordah is an Aberdeen based environmental, engineering and management consultancy, which also has offices near Milford Haven and near Edinburgh. GVA Consultants is a Gothenburg based oil and gas floating structures and ship design house. Both companies are strategically important for BMT and we look forward to a continuing growth in these important market sectors.



D. Goodrich
Chairman

DIRECTORS' REPORT

The directors present their report, together with the accounts of the company and the Group for the year ended 30 September 1998. The company is limited by guarantee without share capital.

PRINCIPAL ACTIVITIES

The principal activities of the Group are knowledge transfer through consultancy. This consultancy is mainly in the areas of design guidance and risk management studies, mainly in the defence, transport and civil engineering industries. It is backed up by a research and development activity to refresh the technology base.

The various disciplines are more specifically defined on pages 26, 27 & 28

REVIEW OF THE BUSINESS

The level of turnover increased to £41 million (1997: £36 million). The increase in turnover is impressive and includes 50% of turnover of the Babtie BMT Pacific Rim joint venture.

The company acquired Scientific Marine Services Inc during the year, thus adding to the company's capability in the USA. During the year the Group's R&D activity continued, with the management of a number of significant projects partially funded by the European Commission. The balance of funding on these projects is provided by the company.

RESULTS

The profit for the year on ordinary activities after subsidiary companies' profit share, the new BMT profit share and taxation is £0.6m, which will be carried to reserves. The profit share payment within subsidiary companies was £0.8m. The Board have approved a BMT profit share pool of £1.4 million and this will be distributed to all eligible staff in March/April 1999.

Given the result in the Far East and the self-investment by the company of £1.3 million in R&D, the result is good.

The reserves of the Group have diminished by approximately £0.9m in the year due to the immediate write off of over £1.6 million of goodwill.

MARKET VALUE OF LAND AND BUILDINGS

The Board has had a valuation of land and buildings carried out as at 30 September 1998, which shows that the carrying value of the properties in the balance sheet is not significantly different to the current market value.

TAXATION

The company continued to be exempt from corporation tax under the provisions of S.508 of the Income & Corporation Taxes Act 1988 until 30 June 1998. This is under an Extra Statutory Concession. However, from 1 July 1998 with the revised constitution of the company, British Maritime Technology Limited is no longer eligible for this exemption. The accounts have been prepared in accordance with this.

DIRECTORS' REPORT

DIRECTORS

The directors during the year were:

D Goodrich *	(Chairman)
O Roith CB	(Deputy Chairman)
Dr N E Cross	
W Ferguson	
G H Fuller	
J P Gallagher *	(Appointed 3 December 1998)
Sir Gordon Higginson	(Retired from the Board 31 December 1997)
Dr B G Smith OBE	
B A Smouha	
Vice Admiral Sir Peter Woodhead KCB	

* Executive Directors

During the year membership of the Sub-Committees of the Board has been:-

i)	Audit Sub-Committee:	B A Smouha Sir Gordon Higginson O Roith CB	(Chairman) (until 31 December 1997)
ii)	Remuneration Sub-Committee:	O Roith CB G H Fuller D Goodrich	(Chairman)
iii)	Research & Development Sub-Committee:	D Goodrich G H Fuller O Roith CB Dr B G Smith OBE Dr F Caldeira-Saraiva	(Chairman) (not a Board member)
iv)	Investment Sub-Committee	D Goodrich Dr N E Cross RJ Paulding	(Chairman) (not a Board member)

No director held a beneficial interest in the shares of any Group companies during the year.

BMT EMPLOYEE BENEFIT TRUST

As recorded in the Chairman's Statement, BMT formed an Employee Benefit Trust on 30 June 1998, with the Trustees being the sole voting members of the company.

The first Trustees are:

O Roith CB	(Chairman)
Dr N E Cross	
G W Morton	
Vice Admiral Sir Peter Woodhead KCB	

Trustees and Non-Executive Directors cannot benefit from the Employee Benefit Trust.

HEALTH & SAFETY

The Group's policy is to comply with both the requirements and the spirit of all relevant British and overseas health and safety legislation.

DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

The Group gives proper consideration to applications for employment from disabled persons. Where an employee becomes disabled, the Group endeavours to continue employment, provided there are duties the employee is capable of performing. Where this is not possible, the employee's earnings are protected by an insurance policy up to his or her normal retirement date. Training, career development and promotion are available to disabled persons. Furthermore, when acquiring new property, the Group endeavours to make the property accessible to individuals with a disability.

EMPLOYEE INVOLVEMENT

With the formation of the BMT Employee Benefit Trust (EBT) the company is held in beneficial ownership for the employees. It is planned to produce quarterly publications, informing staff of the performance of the business and other relevant matters.

The subsidiary companies operate a number of methods (including briefing sessions and newsletters) whereby their staff are briefed on matters of concern to them as employees, including financial and economic factors which affect the performance of the company and the Group. Most of the UK subsidiary undertakings have registered and operate an Inland Revenue approved profit sharing scheme.

AUDITORS

Baker Tilly have expressed their willingness to continue in office as auditors in accordance with Section 385 of the Companies Act 1985.

YEAR 2000 COMPLIANCE

The Company is currently reviewing its systems to identify any effects that the Year 2000 will have on its performance, a result of this has been the installation of a new accounting system. The Company has also sought assurances from major suppliers regarding the compliance of their products. At this stage additional costs are not expected to be significant.

EUROPEAN MONETARY UNION

The Company has programmes of action in place to manage the impact on its systems and services of EMU. One action already taken was the purchase of a new accounting system which is EURO compliant. The costs of future programmes are not expected to be significant.

POST BALANCE SHEET EVENTS

The Chairman's Statement refers to the acquisition of Cordah Limited, a Scottish based environmental, engineering and management consultancy; and of GVA Consultants AB, a Swedish based oil and gas floating structures and ship design company.

FUTURE DEVELOPMENTS

The Chairman's Statement refers to the continuation of the current acquisition policy. The Group intends to continue to build upon its present strengths in design, safety, risk management and environmental issues. Investment will continue in research and development to support the Group's knowledge transfer activities including consultancy.

By order of the Board



G. Turner,
Secretary.

Date 30 March 1999

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts ;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

to the members of British Maritime Technology Limited

We have audited the accounts on pages 9 to 37.

Respective responsibilities of directors and auditors

As described on page 7, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

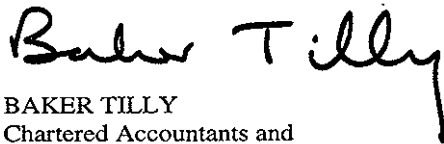
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the Group as at 30 September 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Chartered Accountants and
Registered Auditors
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

30 March 1999

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1998

	Notes	1998 £000	1998 £000	Restated 1997 £000
Turnover:				
Continuing Operations		39,102		36,010
Acquisitions		<u>1,760</u>		<u>-</u>
			40,862	36,010
Less: share of joint ventures' turnover			<u>(6,316)</u>	<u>(3,204)</u>
GROUP TURNOVER	2		<u>34,546</u>	<u>32,806</u>
Costs less other income	3		33,752	32,129
Operating Profit:				
Continuing Operations		556		677
Acquisitions		<u>238</u>		<u>-</u>
	4		<u>794</u>	<u>677</u>
Share of operating profit/(loss) in:				
Joint Ventures		(240)		188
Associates		<u>303</u>	<u>63</u>	<u>75</u>
			857	940
Profit on disposal of interest in subsidiaries	7a		-	284
Profit on disposal of fixed assets	7b		<u>-</u>	<u>868</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			857	2,092
Income from fixed asset investments			1,214	1,056
Interest receivable and similar income:	8		396	262
Interest payable	9		<u>(164)</u>	<u>(128)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND BMT PROFIT SHARE SCHEME			2,303	3,282
BMT profit share scheme			<u>(1,400)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>903</u>	<u>3,282</u>
Tax on profit on ordinary activities	10		<u>(322)</u>	<u>(219)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			581	3,063
Minority interests			<u>-</u>	<u>(75)</u>
RETAINED PROFIT FOR THE YEAR	21		<u><u>581</u></u>	<u><u>2,988</u></u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 1998

	1998 £000	Restated 1997 £000
Retained profit for the year:		
Group	655	2,791
Share of joint ventures	(302)	122
Share of associates	228	75
	<u>581</u>	<u>2,988</u>
Exchange gain on foreign currency hedging loan	-	6
Net exchange gain on foreign equity investments	<u>142</u>	<u>103</u>
Total recognised gains and losses relating to the year	<u>723</u>	<u>3,097</u>
Prior year adjustment (note 23)	<u>844</u>	
Total	<u>1,567</u>	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

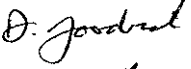
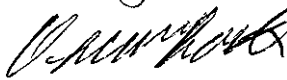
	1998 £000	Restated 1997 £000
Reported profit on ordinary activities before taxation	903	3,282
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	-	7
Realisation of property revaluation gains of previous years	<u>-</u>	<u>156</u>
Historical cost profit on ordinary activities before taxation	<u>903</u>	<u>3,445</u>
Historical cost profit for the year retained after taxation and minority interests	<u>581</u>	<u>3,151</u>

The difference between the retained historical cost profit for 1997 and the retained profit shown in the profit and loss account for the same year, results from the release of a property revaluation reserve of £163,000.

GROUP BALANCE SHEET
at 30 September 1998

	Notes	1998 £000	Restated 1997 £000
FIXED ASSETS			
Tangible assets	11	7,361	7,569
Investments	12	15,774	8,908
Investments in Joint Ventures:			
Share of Gross Assets		3,780	4,281
Share of Gross Liabilities		(3,580)	(3,564)
	12	200	717
Investments in Associates	12	207	(21)
		<u>23,542</u>	<u>17,173</u>
CURRENT ASSETS			
Stocks and work in progress	13	3,227	3,220
Debtors:	14		
Amounts falling due within one year		8,328	9,448
Amounts falling due after one year		788	788
Investments		1,009	1,785
Cash at bank and in hand	15	5,444	10,518
		<u>18,796</u>	<u>25,759</u>
CREDITORS: amounts falling due within one year	16	13,060	12,777
NET CURRENT ASSETS		<u>5,736</u>	<u>12,982</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,278	30,155
CREDITORS: amounts falling due after more than one year	17	207	88
PROVISIONS FOR LIABILITIES AND CHARGES	19	201	106
ACCRUALS AND DEFERRED INCOME	20	683	838
		<u>28,187</u>	<u>29,123</u>
CAPITAL AND RESERVES			
Profit and loss account	21	28,187	29,123
TOTAL FUNDS		<u>28,187</u>	<u>29,123</u>


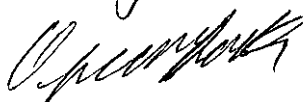
Approved by the Board on 30 MARCH 1999

 D. Goodrich Director
 O. Roith CB Director

COMPANY BALANCE SHEET
at 30 September 1998

	Notes	1998 £000	Restated 1997 £000
FIXED ASSETS			
Tangible assets	11	6,197	6,465
Investments	12	<u>17,041</u>	<u>10,247</u>
		23,238	16,712
CURRENT ASSETS			
Debtors:	14		
Amounts falling due within one year		3,094	3,504
Amounts falling due after one year		2,240	3,075
Investments		1,009	1,785
Cash at bank and in hand		3,522	8,298
		<u>9,865</u>	<u>16,662</u>
CREDITORS: amounts falling due within one year	16	4,110	4,379
NET CURRENT ASSETS		<u>5,755</u>	<u>12,283</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,993	28,995
CREDITORS: amounts falling due after more than one year	17	69	79
ACCRUALS AND DEFERRED INCOME	20	<u>683</u>	<u>838</u>
		<u>28,241</u>	<u>28,078</u>
CAPITAL AND RESERVES			
Profit and loss account	21	28,241	28,078
TOTAL FUNDS		<u>28,241</u>	<u>28,078</u>

Approved by the Board on **30 MARCH 1999**

 D. Goodrich Director
 O. Roith CB Director

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 September 1998

	Notes	1998 £000	Restated 1997 £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Reconciliation to operating profit on page 14		<u>1,835</u>	<u>(299)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest and similar income received		311	253
Interest paid		(69)	(107)
Interest paid on finance leases		(22)	(21)
Fixed asset investment income received		<u>1,296</u>	<u>1,199</u>
		<u>1,516</u>	<u>1,324</u>
TAXATION			
Corporation tax paid		(40)	-
Overseas tax paid (net)		<u>(23)</u>	<u>(22)</u>
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(625)	(2,554)
Purchase of associated undertakings		(34)	(306)
Transfer (to)/from managed fund		(6,663)	6,673
Purchase of unlisted investments		(215)	-
Receipts from sales of tangible fixed assets		<u>1,378</u>	<u>56</u>
		<u>(6,159)</u>	<u>3,869</u>
ACQUISITIONS AND DISPOSALS			
Purchase of shares in subsidiary undertakings	12	(999)	(12)
Cash acquired with subsidiary undertaking	12	205	-
Cash released on transfer of subsidiary undertaking		-	(351)
Receipts from sale of subsidiary undertakings		-	225
Receipt from sale of discontinued activity		<u>-</u>	<u>41</u>
		<u>(794)</u>	<u>(97)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(3,665)</u>	<u>4,775</u>
MANAGEMENT OF LIQUID RESOURCES			
Cash placed in treasury deposits		1,300	(1,300)
Movement in current asset investments		<u>750</u>	<u>(3)</u>
		<u>2,050</u>	<u>(1,303)</u>
FINANCING			
Repayments of capital element of finance lease rentals		(19)	(18)
Repayment of short term loan	18	<u>-</u>	<u>(538)</u>
NET CASH OUTFLOW FROM FINANCING		<u>(19)</u>	<u>(556)</u>
(DECREASE)/INCREASE IN CASH	15	<u>(1,634)</u>	<u>2,916</u>

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 September 1998

	1998 £000	Restated 1997 £000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Group operating profit	794	677
Depreciation	708	622
Amortisation of Government grants	(63)	(92)
Increase in stocks	(25)	(1,032)
Decrease/(Increase) in debtors	197	(1,820)
Decrease/(Increase) in amounts due from associates	90	(1,341)
(Decrease)/Increase in creditors	(110)	2,804
Profit on sale of tangible fixed assets	(33)	(12)
Exchange differences	182	83
Increase/(Decrease) in provisions for liabilities and charges	95	(38)
Subsidiary profits disposed of during the year	-	(150)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,835	(299)
	1998 £000	Restated 1997 £000
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS		
(Decrease)/Increase in cash	(1,634)	2,916
Translation differences	8	22
Cash inflow from liquid investments	(776)	3
Cash inflow from treasury deposits	(1,300)	1,300
Other loans	-	538
New finance leases	(26)	-
Repayments of capital element of finance lease rentals	19	18
	(3,709)	4,797
 Net funds at 30 September 1997	 8,306	 3,509
 Net funds at 30 September 1998	 4,597	 8,306
	1998 £000	Restated 1997 £000
ANALYSIS OF NET FUNDS		
Net cash at bank and in hand	4,290	5,945
Current asset liquid investments	1,009	1,785
Treasury deposits	-	1,300
Bank loans	(589)	(618)
Finance leases	(113)	(106)
	4,597	8,306

NOTES TO THE ACCOUNTS
at 30 September 1998

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

As described more fully in the Chairman's Statement, the new BMT profit share payment is based on the overall results of the group and is a reward for staff loyalty.

In view of the basis of this share of profit the directors have modified the format of the group Profit and Loss account and presented it separately as a charge immediately above 'Profit before Tax'. The directors believe this presentation better reflects the nature of this item enjoyed by the employees of the group and is required in order to show a true and fair view as permitted under Schedule 4 of the Companies Act 1985. It is proposed that this format will be adopted in subsequent financial years.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 1998. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's tangible assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

No profit and loss account is presented for British Maritime Technology Limited as provided by Section 230 of the Companies Act 1985.

Goodwill

Purchased goodwill is written off directly against reserves immediately on acquisition.

Joint ventures

The Group's share of the post-acquisition results of joint ventures is shown in the consolidated profit and loss account.

Investments in joint ventures are included in the consolidated balance sheet at cost plus the appropriate shares of post acquisition results and reserves as disclosed in the latest balance sheets.

Associated undertakings

The Group's share of the results and movements in other reserves of its associated undertakings are dealt with through the consolidated profit and loss account and reserves respectively.

The Group balance sheet includes the investment in associated undertakings at the Group's share of tangible net assets.

The Company balance sheet shows the investment in associated undertakings at cost.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Investments

Investments held as fixed assets are stated in the balance sheet on the basis of cost adjusted so as to amortise to redemption value any premium paid or discount received on acquisition over the period to maturity. If, in the opinion of the directors, there has been a permanent diminution in value of a fixed asset investment, an appropriate adjustment is made.

Unlisted current asset investments are stated at the lower of cost or net realisable value.

NOTES TO THE ACCOUNTS
at 30 September 1998

1. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life to the business, as follows:

Freehold and leasehold buildings	20 to 50 years
Leasehold improvements	20 years or life of lease when shorter
Test facilities	10 to 30 years
Computers and instruments	3 to 5 years
Motor vehicles	4 years
Demonstration computer equipment	1 to 2 years
Scientific equipment used in harsh environments	3 years
Other equipment	4 to 10 years

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

Raw materials	-	purchase cost on a first-in, first-out basis
Work in progress	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Provision for liabilities and charges

Provisions for property costs relating to financing and maintenance are charged to profit based on an annual assessment of the planned maintenance schedules for the properties managed.

Accruals and deferred income

Government grants on capital expenditure are credited to a deferred income account and are released to profit over the expected useful life of the relevant asset by equal annual instalments. Government grants to fund the business' liabilities inherited on formation are credited to a deferred income account and are released to profit as the related costs are incurred or on evidence that the liabilities will not crystallise. Project grants are released to profit over the life of the project to which they relate.

Taxation

The company continued to be exempt from corporation tax under the provisions of S.508 of the Income & Corporation Taxes Act 1988 until 30 June 1998. This is under an Extra Statutory Concession. However, from 1 July 1998 with the revised constitution of the company, British Maritime Technology Limited is no longer eligible for this exemption. The accounts have been prepared in accordance with this.

NOTES TO THE ACCOUNTS
at 30 September 1998

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Finance and operating leases

Rentals paid under operating leases are charged to income as incurred over the term of the lease.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over their useful economic life.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investment.

Group

On consolidation the assets and liabilities of overseas undertakings are translated at the rate of exchange ruling at the balance sheet date. The results and cash flows for the period are translated at an average rate of exchange. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to the reserves together with the exchange difference on the carrying amount of the related investments.

Redundancy costs

These are accounted for on a cash basis. The cost of future on-going support payments and annuities purchased to meet future support payments are written off as incurred, and matched where appropriate by the release of deferred working capital grant funding.

Pension costs

The Group operated a defined benefit pension scheme which is funded by the payment of contributions to separately administered funds.

The contributions to the scheme were determined using the projected accrued benefits method.

Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Subsidiaries which operated defined contribution pension schemes charge contributions to the profit and loss account as they become payable.

NOTES TO THE ACCOUNTS
at 30 September 1998

2. GROUP TURNOVER

Turnover is attributable to one activity, being research, development and the transfer of knowledge in the maritime, defence, transport and civil engineering industries. An analysis of turnover by geographical market is given below:

	1998 £000	1997 £000
UK	21,805	17,552
USA	7,490	7,529
Other European Union	1,460	1,704
Rest of the world	<u>3,791</u>	<u>6,021</u>
	<u>34,546</u>	<u>32,806</u>

3. COSTS LESS OTHER INCOME

	Continuing £000	Acquisitions £000	1998 £000	Restated 1997 £000
Changes in stocks and work in progress	103	(73)	30	(798)
Other operating income	(628)	-	(628)	(724)
Raw materials and Consumables	5,524	1,002	6,526	5,570
Other external charges	6,965	-	6,965	6,242
Staff costs (note 6)	14,827	441	15,268	15,915
Depreciation	707	1	708	622
Other operating charges	<u>4,732</u>	<u>151</u>	<u>4,883</u>	<u>5,302</u>
	<u>32,230</u>	<u>1,522</u>	<u>33,752</u>	<u>32,129</u>

NOTES TO THE ACCOUNTS
at 30 September 1998

4. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £000	Restated 1997 £000
Group:		
Auditors' remuneration		
- audit	69	63
- other services	17	18
Operating lease rentals receivable:		
- buildings	(49)	(49)
Operating lease rentals payable:		
- other equipment	148	154
- buildings	491	558
Exchange loss on foreign currency borrowings less		
Deposits	288	355
Amortisation of Government grants	(63)	(92)
Depreciation on owned assets	689	603
Depreciation on assets held under finance leases	19	19
Profit on disposal of tangible fixed assets	<u>(33)</u>	<u>(12)</u>
Company:		
Auditors' remuneration:		
- audit services	19	13
- non-audit services	<u>10</u>	<u>9</u>

In addition to the above the auditors received remuneration of £19,000 for services provided in respect of the acquisition of Harris & Sutherland by both Babbie Group Limited and British Maritime Technology Limited.

5. DIRECTORS' REMUNERATION

	1998 £000	1997 £000
Fees	20	38
Other emoluments (including pension contributions)	<u>298</u>	<u>227</u>
	<u>318</u>	<u>265</u>
Highest paid director:		
	1998 £000	1997 £000
Aggregate emoluments	246	189
Defined benefit pension scheme:		
Accrued pension at end of year	<u>113</u>	<u>100</u>

NOTES TO THE ACCOUNTS
at 30 September 1998

6. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	13,556	14,441
Social security costs	1,092	970
Pension and post retirement costs	620	504
	<u>15,268</u>	<u>15,915</u>
BMT Profit Share scheme:		
Wages and salaries	1,273	-
Social security costs	127	-
	<u>16,668</u>	<u>15,915</u>

The average weekly number of employees during the year was made up as follows:

	1998 £000	1997 No.
Scientific and technical	418	422
Administrative and support	99	92
	<u>517</u>	<u>514</u>

7a). EXCEPTIONAL PROFIT ON DISPOSAL OF INTEREST IN SUBSIDIARIES

In 1996 the company disposed of all of the share capital of BMT Quality Assessors Limited (QA), but remained entitled to future royalty income as further consideration following the sale. Total receipts in respect of this income amounted to £59,000 during 1997.

In 1996 the company acquired a controlling interest in Babbie BMT (Hong Kong) Limited (BBHK), as part of a partnership with Babbie Group Limited relating to activities in the Pacific Rim. Under this transaction all of the shares in Peter Fraenkel BMT (Asia) Limited (PFA) were transferred to BBHK. The substance of this transaction was that 50% of the shares in PFA were sold to Babbie Group Limited. In June 1997 £225,000 of earnout income was received which represented the final amount receivable and as of that date the management control of BBHK was shared equally by BMT and Babbie.

7b). EXCEPTIONAL PROFIT ON DISPOSAL OF FIXED ASSETS

In 1997 the company sold its interest in a freehold property in Hythe with proceeds of £1.2m and a net profit on the sale amounting to £868,000.

NOTES TO THE ACCOUNTS
at 30 September 1998

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £000	1997 £000
Group	356	253
Share of joint ventures	<u>40</u>	<u>9</u>
	<u>396</u>	<u>262</u>

9. INTEREST PAYABLE

	1998 £000	Restated 1997 £000
Bank loans, overdrafts and other loans	69	107
On finance leases	<u>22</u>	<u>21</u>
Group	91	128
Share of joint ventures	<u>73</u>	<u>-</u>
	<u>164</u>	<u>128</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxable charge based on the results for the year is made up as follows:

	1998 £000	1997 £000
UK Corporation tax - Parent	80	-
- Subsidiaries	72	90
Corporate tax on overseas subsidiaries	66	54
Group share of corporate tax on overseas joint ventures	29	75
Group share of corporate tax on overseas associates	<u>75</u>	<u>-</u>
	<u>322</u>	<u>219</u>

As mentioned in the Directors report, from 1 July 1998 the Company is no longer eligible for exemption from corporation tax under the provisions of S.508 of the Income and Corporation Taxes Act 1988.

NOTES TO THE ACCOUNTS
at 30 September 1998

11. TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings	Long leasehold buildings	Leasehold buildings & improve- ments less than 20 years	Test facilities	Motor vehicles	Computers and instr- uments	Other equip- ment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:								
1 October 97	5,726	1,574	276	94	266	2,493	1,316	11,745
as restated								
Additions	-	-	2	-	85	427	137	651
Disposals	-	(141)	-	-	(46)	(327)	(55)	(569)
Exchange								
Fluctuations	-	-	-	-	(1)	(11)	(10)	(22)
Acquisitions	-	-	1	-	-	31	-	32
At 30.9.98	<u>5,726</u>	<u>1,433</u>	<u>279</u>	<u>94</u>	<u>304</u>	<u>2,613</u>	<u>1,388</u>	<u>11,837</u>
Depreciation:								
1 October 97	912	197	151	85	95	1,834	902	4,176
as restated								
Provided								
During year	79	32	23	3	68	342	161	708
Disposals	-	(15)	-	-	(29)	(326)	(53)	(423)
Exchange								
Fluctuations	-	-	-	-	-	(9)	(5)	(14)
Acquisitions	-	-	-	-	-	29	-	29
At 30.9.98	<u>991</u>	<u>214</u>	<u>174</u>	<u>88</u>	<u>134</u>	<u>1,870</u>	<u>1,005</u>	<u>4,476</u>
Net book value								
At 30.9.98	<u>4,735</u>	<u>1,219</u>	<u>105</u>	<u>6</u>	<u>170</u>	<u>743</u>	<u>383</u>	<u>7,361</u>
At 30.9.97								
as restated	<u>4,814</u>	<u>1,377</u>	<u>125</u>	<u>9</u>	<u>171</u>	<u>659</u>	<u>414</u>	<u>7,569</u>

The net book value of tangible fixed assets includes an amount of £474,000 (1997 restated: £470,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS
at 30 September 199811. TANGIBLE FIXED ASSETS (Continued)
Company

	<i>Freehold land and buildings</i>	<i>Long leasehold buildings</i>	<i>Leasehold buildings and improve- ments less than 20 years</i>	<i>Motor vehicles</i>	<i>Computers and Instruments</i>	<i>Other equipment</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
1 October 97	5,726	1,574	131	124	167	398	8,120
as restated							
Additions	-	-	-	34	7	21	62
Disposals	-	(141)	-	(33)	-	(15)	(189)
Transfers	-	-	-	9	3	13	25
At 30.9.98	<u>5,726</u>	<u>1,433</u>	<u>131</u>	<u>134</u>	<u>177</u>	<u>417</u>	<u>8,018</u>
Depreciation:							
1 October 97	912	197	54	29	158	305	1,655
as restated							
Provided							
During year	79	32	9	32	7	37	196
Disposals	-	(15)	-	(21)	-	(13)	(49)
Transfers	-	-	-	9	-	10	19
At 30.9.98	<u>991</u>	<u>214</u>	<u>63</u>	<u>49</u>	<u>165</u>	<u>339</u>	<u>1,821</u>
Net book value:							
At 30.9.98	<u>4,735</u>	<u>1,219</u>	<u>68</u>	<u>85</u>	<u>12</u>	<u>78</u>	<u>6,197</u>
At 30.9.97							
as restated	<u>4,814</u>	<u>1,377</u>	<u>77</u>	<u>95</u>	<u>9</u>	<u>93</u>	<u>6,465</u>

The net book value of tangible fixed assets includes an amount of £443,000 (1997 restated: £455,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS
at 30 September 1998**12. FIXED ASSET INVESTMENTS**
Group

	Managed Fund £000	Unlisted Investments £000	Bank Deposit £000	Associated Undertakings £000	Joint Ventures £000	Total £000
Cost						
At 1 October 1997	8,230	39	936	100	798	10,103
Additions	6,368	215	70	-	121	6,774
Share of profit	-	-	-	228	-	228
Goodwill	-	-	-	-	(336)	(336)
At 30 September 1998	<u>14,598</u>	<u>254</u>	<u>1,006</u>	<u>328</u>	<u>583</u>	<u>16,769</u>
Provision						
At 1 October 1997	258	39	-	121	81	499
Charge for year	82	-	-	-	-	82
Share of losses	-	-	-	-	302	302
Disposals	(295)	-	-	-	-	(295)
At 30 September 1998	<u>45</u>	<u>39</u>	<u>-</u>	<u>121</u>	<u>383</u>	<u>588</u>
Net book value						
At 30 September 1998	<u>14,553</u>	<u>215</u>	<u>1,006</u>	<u>207</u>	<u>200</u>	<u>16,181</u>
At 30 September 1997	<u>7,972</u>	<u>-</u>	<u>936</u>	<u>(21)</u>	<u>717</u>	<u>9,604</u>

The managed fund represents a portfolio of readily marketable interest bearing securities held under management by Schroder Investment Management Limited.

In accordance with the requirements of FRS 9 the table below gives the Group's share of the joint venture's balance sheet as at 30 September 1998:

	£'000
Fixed Assets	137
Current Assets	3,644
Liabilities due within 1 year	(2,488)
Liabilities due after 1 year or more	(1,093)
Net assets	<u>200</u>

NOTES TO THE ACCOUNTS
at 30 September 1998**12. FIXED ASSET INVESTMENTS (Continued)**
Company

	Managed Fund £000	Unlisted Investments £000	Bank Deposit £000	Subsidiary Undertakings £000	Joint Ventures £000	Total £000
Cost:						
At 1 October 1997	8,230	39	936	4,883	198	14,286
Additions	6,368	210	70	339	39	7,026
Disposals	-	-	-	-	-	-
At 30 September 1998	<u>14,598</u>	<u>249</u>	<u>1,006</u>	<u>5,222</u>	<u>237</u>	<u>21,312</u>
Provisions:						
At 1 October 1997	258	39	-	3,692	50	4,039
Charge for year	82	-	-	339	106	527
Disposals	(295)	-	-	-	-	(295)
At 30 September 1998	<u>45</u>	<u>39</u>	<u>-</u>	<u>4,031</u>	<u>156</u>	<u>4,271</u>
Net book value:						
At 30 September 1998	<u>14,553</u>	<u>210</u>	<u>1,006</u>	<u>1,191</u>	<u>81</u>	<u>17,041</u>
At 30 September 1997	<u>7,972</u>	<u>-</u>	<u>936</u>	<u>1,191</u>	<u>148</u>	<u>10,247</u>

The managed fund represents a portfolio of readily marketable interest bearing securities held under management by Schroder Investment Management Limited.

NOTES TO THE ACCOUNTS
at 30 September 1998

12. FIXED ASSET INVESTMENTS (Continued)

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the Group:

Name of company	Country of registration (or incorporation)	Holding	Proportion held	Nature of Business
<i>Subsidiary undertakings</i>				
BMT Defence Services Limited	England and Wales	Ordinary shares	100%	Services to the defence industry
BMT Reliability Consultants Limited	England and Wales	Ordinary shares	100%	Reliability life cycle costing and safety services
BMT Group Limited	England and Wales	Ordinary shares	100%	Project and asset management
BMT Fluid Mechanics Limited	England and Wales	Ordinary shares	100%	Fluid and structural mechanics
BMT SeaTech Limited	England and Wales	Ordinary shares	100%	Specialist consultancy services for commercial shipping
BMT Edon Liddiard Vince Limited	England and Wales	Ordinary shares	100%	Maritime litigation consultancy services
BMT SHIPDESIGN Limited	England and Wales	Ordinary shares	100%	Naval architectural and marine engineering services for commercial shipping
BMT Marine Information Systems Limited	England and Wales	Ordinary shares	100%	Research and development of technology in environmental and marine services

NOTES TO THE ACCOUNTS
at 30 September 1998

12. FIXED ASSET INVESTMENTS (Continued)

Name of company	Country of registration (or incorporation)	Holding	Proportion held	Nature of Business
<i>Subsidiary undertakings</i>				
BMT Marine Procurement Limited	England and Wales	Ordinary shares	100%	Procurement and contract management services for the marine industry
Designers & Planners Inc	USA	Common stock	100%*	Ship engineering and environmental services
Scientific Marine Services Inc.	USA	Common stock	100%*	Marine and offshore consultancy
Babtie BMT (Thailand) Co Limited	Thailand	Ordinary Shares	49%	Civil engineering Consultancy
BMT-IBW Polska Sp zoo	Poland	Ordinary shares	80%	Port and coastal management services
BMT Defence Services SA (Pty) Limited	South Africa	Ordinary shares	100%*	Services to the defence industry
<i>Associated undertakings</i>				
BMT Skipskonsulent Forsvarstjenester AS	Norway	Ordinary shares	49%*	Services to the defence industry
<i>Joint Ventures</i>				
Babtie BMT (Asia) Limited	Hong Kong	Ordinary shares	50%	Project and asset management
Babtie BMT Harris & Sutherland (Hong Kong) Limited	Hong Kong	Ordinary Shares	50%	Civil engineering Consultancy
Babtie BMT Harris & Sutherland (Pte) Limited	Singapore	Ordinary Shares	50%	Civil engineering Consultancy
Babtie BMT Harris & Sutherland Sdn. Bhd.	Malaysia	Ordinary shares	50%	Civil engineering Consultancy

*held by subsidiary undertaking.

All companies acquired during the year are treated under the acquisition accounting method.

NOTES TO THE ACCOUNTS
at 30 September 1998

12. FIXED ASSET INVESTMENTS (Continued)

Name of company	Country of registration (or incorporation)	Holding	Proportion held	Nature of Business
<i>Investments</i>				
Argoss BV	Netherlands	Ordinary Shares	20%	Earth Observation Consultancy

The investment in Argoss BV has not been consolidated into the accounts as the Group does not exercise significant influence over the company.

(a) On 1 April 1998 a subsidiary company acquired Scientific Marine Services Inc. for a consideration of £1,648,000 satisfied by an initial payment of £971,000 and a deferred contingent payment of £677,000.

Goodwill arising on the acquisition has been written off directly to reserves.

Analysis of the acquisition of Scientific Marine Services Inc:

Net assets at date of acquisition:

	Book & fair value £000
Fixed assets	3
Debtors	336
Cash	205
Creditors due within one year	(191)
Net Assets	<u>353</u>
Goodwill arising on acquisition	<u>1,323</u>
	<u>1,676</u>
Discharged by:	
Initial cash consideration	971
Contingent cash consideration	677
Costs associated with the acquisition	28
	<u>1,676</u>

The contingent cash consideration is dependant upon the future profits of Scientific Marine Services Inc. The estimated figure is based on budgeted profits from the business plan prepared by the company's management.

The range of possible outcomes for total consideration is from £588,000 up to £1.65 million plus 50% of any profits in excess of £1.06 million achieved by the company in its first three years as a member of the Group.

NOTES TO THE ACCOUNTS
at 30 September 1998

12. FIXED ASSET INVESTMENTS (Continued)

The profit after tax of Scientific Marine Services Inc. for the 12 month period to 31 December 1997 was £101,000. In the 3 month period prior to acquisition the summarised profit and loss accounts was as follows:

	£'000
Turnover	<u>520</u>
Operating Loss	(213)
Taxation	-
Loss for three months to 31 March 1998	<u>(213)</u>

There were no recognised gains or losses in the three months ended 31 March 1998 other than the loss of £213,000 above.

(b) On the 30 April 1997 the group acquired a 50% stake in the Far East venture of Harris & Sutherland Limited for a consideration of £377,000 satisfied by an initial payment of £243,000 and a deferred payment of £134,000.

Analysis of the group's share of the acquisition of Harris & Sutherland:

Net assets at the date of acquisition:

	Book value £000	Adjustment £000		Fair value to group £000
Tangible Fixed Assets	94	-		94
Investments	7	-		7
Work in Progress	545	(202) a		343
Trade Debtors	1,343	(93) b		1,250
Other Debtors	400	-		400
Cash	55	-		55
Creditors due within one year	(1,065)	-		(1,065)
Creditors due after more than one year	(933)	-		(933)
Net Assets	446	(295)		151
Goodwill arising on acquisition				<u>336</u>
				<u>487</u>
Discharged by:				
Initial cash consideration				243
Deferred cash consideration				134
Costs associated with the acquisition				<u>110</u>
				<u>487</u>

Adjustments:

- a Decrease in value of work in progress following re-alignment of accounting policy with that of the Group.
- b Write down of debtors following re-assessment of realisable value.

NOTES TO THE ACCOUNTS
at 30 September 1998

13. STOCKS AND WORK IN PROGRESS
Group

	1998 £000	1997 £000
Raw materials	68	51
Work in progress	<u>3,159</u>	<u>3,169</u>
	<u>3,227</u>	<u>3,220</u>

14. DEBTORS

	1998 £000	Group 1997 £000	1998 £000	Company 1997 £000
Amounts falling due within one year:				
Trade debtors	6,484	5,953	8	45
Amounts owed by subsidiary undertakings	-	-	2,230	1,014
Amounts owed by associated undertakings	602	587	309	238
Other debtors	533	1,930	216	1,761
Prepayments and accrued income	654	946	331	446
Amounts recoverable on contracts	<u>55</u>	<u>32</u>	<u>-</u>	<u>-</u>
	<u>8,328</u>	<u>9,448</u>	<u>3,094</u>	<u>3,504</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	1,452	2,287
Amounts owed by associated undertakings	<u>788</u>	<u>788</u>	<u>788</u>	<u>788</u>
	<u>788</u>	<u>788</u>	<u>2,240</u>	<u>3,075</u>

15. CASH

	1998 £000	1998 change In year £000	1997 £000	1997 change In year £000	1996 £000
Analysis of balances					
Cash at bank and in hand	5,444	(5,074)	10,518	6,221	4,297
Treasury deposits	<u>-</u>	<u>1,300</u>	<u>(1,300)</u>	<u>(1,300)</u>	<u>-</u>
	5,444	(3,774)	9,218	4,921	4,297
Bank overdrafts	<u>(1,154)</u>	<u>2,119</u>	<u>(3,273)</u>	<u>(2,005)</u>	<u>(1,268)</u>
At 30 September 1998	<u>4,290</u>	<u>(1,655)</u>	<u>5,945</u>	<u>2,916</u>	<u>3,029</u>

NOTES TO THE ACCOUNTS
at 30 September 1998

15. CASH (Continued)

Group	1998 £000	1997 £000
Changes during the year		
At 1 October 1997	5,945	3,029
Net cash (outflow) / inflow before adjustments for the effects of foreign exchange rates	(1,634)	2,916
Effects of foreign exchange rates	(21)	-
At 30 September 1998	<u>4,290</u>	<u>5,945</u>

The reason for the decrease in cash is detailed in note 12.

16. CREDITORS: Amounts falling due within one year

	Notes	Group 1998 £000	Restated Group 1997 £000	Company 1998 £000	Restated Company 1997 £000
Bank overdraft	28	1,154	3,273	64	1,793
Short term bank loan	18	589	618	589	618
Obligations under finance leases		20	18	10	10
Income in advance of work in progress		1,895	1,565	837	733
Trade creditors		1,685	1,984	29	59
Amounts owed to subsidiary undertakings		-	-	1,106	80
Amounts owed to associated undertakings		5	-	-	-
Corporation tax		202	90	80	-
Other taxation and social security		1,078	872	-	-
Other creditors and accruals		554	199	392	108
BMT Profit Share Scheme		1,400	-	155	-
Accrued charges and deferred income		4,478	4,158	848	978
		<u>13,060</u>	<u>12,777</u>	<u>4,110</u>	<u>4,379</u>

17. CREDITORS: Amounts falling due after more than one year

	Group 1998 £000	Restated Group 1997 £000	Company 1998 £000	Restated Company 1997 £000
Obligations under finance leases	93	88	69	79
Amounts owed to associated undertakings	100	-	-	-
Other taxation and social security	14	-	-	-
	<u>207</u>	<u>88</u>	<u>69</u>	<u>79</u>

NOTES TO THE ACCOUNTS
at 30 September 1998

17. CREDITORS: Amounts falling due after more than one year (Continued)

The net finance lease obligations to which the group is committed are:

	1998 £000	Restated 1997 £000
In one year or less	20	18
Between two and five years	63	48
Over five years	<u>30</u>	<u>40</u>
	<u>113</u>	<u>106</u>

18. LOANS

	Notes	1998 £000	Group 1997 £000	1998 £000	Company 1997 £000
Repayable within one year	16	<u>589</u>	<u>618</u>	<u>589</u>	<u>618</u>

Analysis of changes in group loan financing during the year:

	1998 £000	1997 £000
At 1 October 1997	618	1,178
Repayment of short term loans	-	(538)
Exchange fluctuation	<u>(29)</u>	<u>(22)</u>
At 30 September 1998	<u>589</u>	<u>618</u>

19. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £000	1997 £000
At 1 October 1997	106	144
Charge for the year	157	49
Utilised in year	<u>(62)</u>	<u>(87)</u>
At 30 September 1998	<u>201</u>	<u>106</u>

This provision is for the purpose of financing identified repair costs against a planned maintenance schedule for the Group's properties.

NOTES TO THE ACCOUNTS
at 30 September 1998

20. ACCRUALS AND DEFERRED INCOME

Accruals and deferred income comprise pension accrual and cash grants for fixed asset additions upon formation of British Maritime Technology Limited from the Department of Trade and Industry. The movements during the year have been as follows:

Group	Pension accrual £000	Fixed Assets £000	Total £000
At 1 October 1997 – as restated	486	352	838
Amounts released to profit and loss account	(92)	(63)	(155)
	<u>394</u>	<u>289</u>	<u>683</u>
At 30 September 1998	<u>394</u>	<u>289</u>	<u>683</u>
Company	Pension accrual £000	Fixed Assets £000	Total £000
At 1 October 1997 – as restated	486	352	838
Amounts released to profit and loss account	(92)	(63)	(155)
	<u>394</u>	<u>289</u>	<u>683</u>
At 30 September 1998	<u>394</u>	<u>289</u>	<u>683</u>

21. RESERVES

Group	Profit and loss reserve £000
At 1 October 1997 – as previously stated	28,279
Prior year adjustment (note 23)	844
At 1 October 1997 – as restated	<u>29,123</u>
Exchange gain on foreign equity investment	142
Goodwill on acquisition of subsidiary	(1,323)
Goodwill on acquisition of joint venture	(336)
Retained profit for the year	<u>581</u>
At 30 September 1998	<u>28,187</u>
Company	
At 1 October 1997	27,234
Prior year adjustment (note 23)	844
At 1 October 1997 – as restated	<u>28,078</u>
Retained profit for the year	<u>163</u>
At 30 September 1998	<u>28,241</u>

NOTES TO THE ACCOUNTS
at 30 September 1998**22. RECONCILIATION OF FUNDS**

	1998 £000	Restated 1997 £000
Profit for the year	581	2,988
Other recognised gains and losses in the period (net)	142	109
Total recognised gains	723	3,097
Goodwill on acquisition of shares in subsidiary undertaking	(1,323)	-
Goodwill on acquisition of shares in joint venture	(336)	-
Net (reduction in) / addition to funds	(936)	3,097
At 1 October 1997 (originally £28,279,000 before adding prior year adjustment of £844,000)	29,123	26,206
At 30 September 1998	28,187	29,123

There remains an accumulated amount of goodwill written off directly to reserves of £3,746,000 (1997: £2,087,000).

23. PRIOR YEAR ADJUSTMENTS***Correction of fundamental error***

The company has been making repayments since 1986 for funding provided to construct a property.

Records have recently come to light which confirm that British Maritime Technology Limited have been repaying monies under the terms of a 21 year mortgage, which will result in the company owning the property in 2007 on excise of an option. These payments amounting to £29,000 annually have been incorrectly invoiced and charged to the profit and loss account as rent.

The Report and Accounts have been amended to capitalise the property at a cost of £599,000 less accumulated depreciation of £144,000 at 1 October 1997, designed to write off the property evenly over 50 years. A lease creditor has been set up to reflect the outstanding liability in respect of the original funding for the property which stood at £89,000 at 1 October 1997. Prior year reserves have been restated accordingly.

Change in accounting policy

The company has revised its accounting policy in respect of working capital grants.

The deferred working capital grant amounting to £783,000 at 30 September 1997, relating to the liability in respect of employees with Civil Service redundancy rights, was being released to the profit and loss account over a period of 20 years with effect from 1 October 1995. In the directors' opinion, the likelihood of this liability crystallising is now remote.

Prior year reserves and the value of deferred working capital grants have been restated to reflect the release of the grant in order to give a fairer presentation of the financial position of the company.

NOTES TO THE ACCOUNTS
at 30 September 1998

23. PRIOR YEAR ADJUSTMENTS (Continued)

The breakdown of the £844,000 prior year adjustment is as follows:

	£000
Property:	
Cumulative Depreciation	(144)
Grant Release	101
Finance Charges	(238)
Rental adjustment	342
	<u>61</u>
Release of Working Capital Grant	783
	<u>844</u>

24. CAPITAL COMMITMENTS

	1998	Group 1997	1998	Company 1997
	£000	£000	£000	£000
Contracted	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>

25. SHARE CAPITAL

The company is Limited by Guarantee without share capital.

26. CONSTITUTION CHANGES AND CONTROL

Members of British Maritime Technology Limited approved the constitutional changes at their Extraordinary General Meeting held on 30 June 1998, whereupon two classes of member were created with the following rights:-

Type of Member	Number of Votes	Interest
Ordinary	None	Non Equity
Trustee of the Employee Benefit Trust ("EBT")	1 vote each	Equity – on behalf of the EBT only

In accordance with the company's Memorandum and Articles of Association any surplus of assets, up to £30 million plus indexation based on RPI from September 1998, on a winding up must first be paid to such university or universities in the United Kingdom or, failing that, such charitable institutions as the Trustees may determine, and any remaining assets will be paid to the beneficiaries of the Employee Benefit Trust.

The company in General Meeting may declare dividends in accordance with the Statutes but no dividend shall exceed the amount recommended by the Board. In the event that dividends are paid, they shall be paid exclusively to the Trustee members on behalf of the EBT, from which no Trustee member is entitled to benefit. No ordinary member shall have any entitlement to share in the profits or surplus assets of the company.

The Trustees of the EBT have ultimate control of the company.

NOTES TO THE ACCOUNTS
at 30 September 1998**27. LEASING COMMITMENTS**

The annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	1998	1997	1998	1997
	£000	£000	£000	£000
Group				
Operating leases which expire:				
Within one year	8	64	51	28
In the second to fifth years inclusive	258	207	105	138
Over five years	<u>184</u>	<u>158</u>	<u>-</u>	<u>-</u>
Company				
Operating leases which expire:				
Within one year	-	18	20	-
In the second to fifth years inclusive	28	50	-	16
Over five years	<u>184</u>	<u>158</u>	<u>-</u>	<u>-</u>

28. PENSION COMMITMENTS**Defined benefit schemes**

The British Maritime Technology Pension and Life Assurance Scheme (the "BMT Scheme") was combined on 1st January 1997 with the British Ship Research Association Staff Pension Scheme (The BSRA Scheme).

A significant number of employees contributed to the BMT Scheme which is funded by the payment of contributions from the company and the employees. The trustees of the BMT scheme include employee representatives.

The contributions payable are determined on the advice of an independent qualified actuary on the basis of triennial valuations using the projected accrued benefits method.

The latest valuations received were conducted as at 8 April 1995 on the BSRA Scheme and at 6 April 1995 on the BMT Scheme. The main assumptions are that the rate of return on investments would be 9% and would exceed salary increases by 2½%. These latest valuations showed that the combined actuarial value of the schemes' assets amounted to £13,277,000 and was sufficient to cover 116% of the schemes' combined liabilities.

Pension costs have been calculated in accordance with SSAP 24. The pension charge for the defined benefit scheme is the annual regular cost of providing pension benefits for current employees, as adjusted by the actuarial surpluses which are spread over the prospective service lives of members. The net charge is £434,000 (1997: £344,000) after deducting interest arising on the surplus.

A pension accrual of £558,000 (1997: £650,000) is included in accruals and deferred income.

The effect of the abolition of the credit for advance corporation tax on UK equities received by pension funds will be included for the first time in the next triennial valuation to be carried out for the period ending April 1998.

Defined contribution schemes

Employees of certain subsidiary undertakings which operate defined contribution pension schemes can contribute to those schemes.

NOTES TO THE ACCOUNTS
at 30 September 1998

29. OTHER COMMITMENTS

The company has commitments to make on-going support payments to certain ex-employees who have been made redundant.

The charge for the year comprised cash payments of £7,224 (1997: £16,584).

30. CONTINGENT LIABILITIES

Company

British Maritime Technology Limited has provided a guarantee to Barclays Bank plc in respect of overdraft facilities granted to the subsidiary undertakings. The amount guaranteed as at 30 September was £1,064,000. The guarantee is unsecured.

31. POST BALANCE SHEET EVENT

The Chairman's Statement refers to the acquisition of CORDaH Limited, a Scottish based environmental, engineering and management consultancy; and of GVA Consultants AB, a Swedish based oil and gas floating structures and ship design company.

32. RELATED PARTY TRANSACTIONS

Transactions with subsidiary companies where over 90% of the voting rights of that subsidiary are controlled within the group have been eliminated on consolidation in the Group accounts. In accordance with FRS 8 these transactions have not been separately disclosed.

There were the following transactions with associated undertakings during the year and amounts due from associated undertakings included in debtors totalling £1,390,000 at 30 September 1998:

	Sales	Loans	Other debts
	£000	£000	£000
BMT Skipskonsulent Forsvarstjenester AS	926		385
Babtie BMT (Asia) Limited	1		4
Babtie BMT Harris & Sutherland (Hong Kong) Limited	80		88
Harris & Sutherland (Far East) Limited		783	
Harris & Sutherland (PTE) Limited	3	130	

The Company has provided a deed of charge to Barclays Bank plc in respect of a guarantee given in favour of Babtie BMT Harris & Sutherland (Hong Kong) Limited for the sum of HK\$10,000,000 (£759,000).