

Company Number: 1887373

**British Maritime Technology Limited**  
**REPORT AND ACCOUNTS**

30 SEPTEMBER 2003



**COMPANY LIMITED BY GUARANTEE**

**DIRECTORS**

D Goodrich (Chairman)  
C V Betts CB  
Dr N E Cross  
A P Docherty  
P D French  
J P Gallagher  
D K McSweeney  
B A Smouha  
R Swann  
Vice Admiral Sir Peter Woodhead KCB

**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  
Barlow Lyde & Gilbert  
Nicholson & Morgan

**REGISTERED OFFICE**

Orlando House  
1 Waldegrave Road  
Teddington  
Middlesex  
TW11 8LZ

**REPORT AND ACCOUNTS**  
for the year ended 30 September 2003

<b>CONTENTS</b>	<b>PAGE</b>
Directors' report	3
Directors' responsibilities in the preparation of accounts	7
Independent Auditors' report	8
Group profit and loss account	9
Group statement of total recognised gains and losses	10
Group balance sheet	11
Company balance sheet	12
Group statement of cash flows	13
Notes to the accounts	16

## DIRECTORS' REPORT

The Directors present their report together with the accounts of the company and the Group for the year ended 30 September 2003. The company is limited by guarantee without share capital and is in the ultimate control of the Trustees of the BMT Employee Benefit Trust ("EBT") for the short, medium and long-term benefit of all staff.

### PRINCIPAL ACTIVITIES

The Group is a multi-disciplinary engineering and technology consultancy, specialising in design, design support and risk and contract management. This consultancy is supported by a significant research & development investment.

The main market areas are defence, energy, environment, marine surveying & insurance and transportation.

The various disciplines are more specifically defined in the list of companies shown on pages 29 & 30.

### REVIEW OF THE BUSINESS

The turnover for the year was £62,642,000 (2002: £56,361,000) showing a 11% growth achieved through a mixture of organic growth and acquisitions.

TFK Transportforschung GmbH, a company based in Hamburg and specialising in inter-modal transport and integrated logistics was purchased on 7 November 2002.

BMT Renewables Limited was formed on 18 February 2003 to further the interests of the group in the renewable energy sector.

Nigel Gee and Associates Limited, a commercial ship design and consultancy company specialising in high speed craft and ferries was acquired on 3 April 2003.

An Australian company, BMT Maritime Consultants (Pty) Limited, offering port management consultancy services was formed in association with International Infrastructure Management Limited on 1 June 2003.

BMT Sigma Limited was formed on 6 June 2003 and will operate as a subsidiary of BMT Defence Services Limited in offering specialist services to the defence sector.

The company acquired the business and the assets of a division of Entech Inc on 29 August 2003. The new company, BMT Entech Inc will offer environmental services to the US Department of Agriculture.

Through its subsidiary, BMT Salvage Limited, further smaller acquisitions have been made to strengthen the marine surveying business in North America.

A collaborative agreement has been signed with the Army Based Repair Organisation to offer services to the rail sector.

During the year the trading activities of BMT SHIPDESIGN Limited were discontinued.

### RESULTS

The profit for the year before profit related pay, the BMT profit sharing scheme and taxation was £1,542,000.

After the subsidiary companies' profit share, the BMT profit sharing scheme, taxation and minority interest £236,000 will be taken to reserves. The profit share payment within subsidiary companies was £1,358,000 (2002: £1,041,000). The Board has approved a BMT profit share pool of £200,000 (2002: £1,800,000) and this will be distributed to all eligible staff in March/April 2004.

## DIRECTORS' REPORT

**DIRECTORS**

The directors during the year were:

D Goodrich (Chairman)

C V Betts CB

Dr N E Cross

A P Docherty\*

P D French\*

J P Gallagher \* Appointed 1 January 2003

D K McSweeney\*

B A Smouha

R Swann\*

Vice Admiral Sir Peter Woodhead KCB

\* Executive directors

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

Member	Audit	Remuneration	Research & Development	Investment	Operations (Europe & Far East)	Operations (Americas)
Mr D Goodrich	•			C	C	C
Mr R Swann		•	C	•	•	•
Mr D McSweeney				•	•	•
Mr P French					•	
Mr A P Docherty					•	
Mr J P Gallagher						•
Mr B A Smouha	C	•				
Dr N E Cross	•			•		
Sir Peter Woodhead		C				
Mr C V Betts			•		•	
Dr F Caldeira-Saraiva			•			
Dr M E Davies			•			
Mr R Kiss						•
Mr F DeBord *						•
Mr I Glen *						•

*C denotes Chairman*

\* Member by rotation

Dr F Caldeira-Saraiva is the Research Director of British Maritime Technology Limited

Dr ME Davies is the Development Director of British Maritime Technology Limited

Mr R Kiss is an advisor to BMT International Inc.

Mr F DeBord is the President of BMT Scientific Marine Services Inc

Mr I Glen is the President of BMT Fleet Technology Limited

## DIRECTORS' REPORT

### BMT EMPLOYEE BENEFIT TRUST

The Trustees of the EBT, who are the sole voting members of the company, are:

Vice Admiral Sir Peter Woodhead KCB	(Chairman of the Trustees)
Dr N E Cross	(Trustee)
G W Morton	(Independent Trustee)
B A Smouha	(Trustee)

Trustees and non-executive directors cannot benefit from the Employee Benefit Trust.

### HEALTH & SAFETY

The Group has a vigorous approach to health and safety and has proper policies and procedures in place in order to comply with both the requirements and spirit of all relevant British and overseas health and safety legislation. The Group has nominated one of the Executive Directors, Mr A P Docherty, to be responsible for health and safety matters, supported by an Independent Health and Safety Advisor and by subsidiary company health and safety officers. Health and safety reporting is required at every Board meeting of the parent company and at all subsidiary company Board meetings. Any negative findings in health and safety reports are required to be reported promptly to the Board.

The Board is aware of and has agreed to comply with their "Directors' responsibilities" for health and safety as set out in various publications of the Health and Safety Executive.

### 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 and pension contributions are normally 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 or modifying properties, the Group endeavours to make the property accessible to individuals with a disability.

### EMPLOYEE INVOLVEMENT

The company is in the ultimate control of the Trustees of the EBT in beneficial ownership for all employees. Quarterly publications are produced, 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 and as beneficiaries of the Employee Benefit Trust, including financial and economic factors which affect the performance of the company and the Group.

### AUDITORS

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

### CORPORATE GOVERNANCE

Whilst BMT is not a public company, its policy is nevertheless, where appropriate for a group of its size, to comply with the spirit of the Combined Code, the Principles of Good Corporate Governance and the Code of Best Practice contained in the Combined Code. BMT has noted the recommendations contained in the Smith and Higgs reports and their embodiment into the New Combined Code and intends to include a note in its next Directors' Report dealing with any substantive issues.

## DIRECTORS' REPORT

### FUTURE DEVELOPMENTS

The Group wishes to continue to grow its international consultancy business through a mixture of organic growth and acquisitions. The developments in the generic risk and safety methodologies and tools across many sectors, including defence, energy, environment, marine insurance and transportation will continue and will be enhanced by R&D investment.

The EBT constitution is working well for the company and its staff and BMT is confident of the Group's long-term development.

### POST BALANCE SHEET EVENTS

On 8 December 2003, British Maritime Technology Limited increased its shareholding in CETO Environmental Limited to 50%.

By order of the Board



G Turner  
Secretary

16 December 2003

## 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 judgments 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.

## INDEPENDENT AUDITORS' REPORT

to the members of British Maritime Technology Limited

We have audited the accounts on pages 9 to 46.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not yet received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### 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 judgments 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 2003 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**

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

16 December 2003

**GROUP PROFIT AND LOSS ACCOUNT**

for the year ended 30 September 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Turnover					
Continuing operations		59,892		49,003	
Acquisitions		2,243		4,309	
		62,135		53,312	
Discontinued operations		507		3,049	
<b>GROUP TURNOVER</b>	2		62,642		56,361
Costs less other income	3		(62,484)		(55,300)
<b>Operating Profit</b>					
Continuing operations		607		1,006	
Acquisitions		276		293	
		883		1,299	
Discontinued activities		(725)		(238)	
			158		1,061
Share of associates losses	13		(736)		(413)
<b>TOTAL OPERATING (LOSS)/PROFIT</b>	4		(578)		648
Profit on sale of undertakings	7		50		27,512
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>			(528)		28,160
Income from fixed asset investments			721		1,429
Interest receivable and similar income	8		94		132
Interest payable	9		(104)		(113)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND BMT PROFIT SHARING SCHEME</b>			183		29,608
BMT profit sharing scheme			(200)		(1,800)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(17)		27,808
Tax credit/(charge) on profit on ordinary activities	10		234		(9,044)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			217		18,764
Minority Interest			19		-
<b>RETAINED PROFIT FOR THE YEAR</b>			236		18,764

**GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES**  
for the year ended 30 September 2003

	2003 £000	2002 £000
Retained profit for the year:		
Group	975	19,193
Share of associates	(739)	(429)
	<u>236</u>	<u>18,764</u>
Net exchange (loss)/gain on foreign equity investments	(96)	1
	<u>140</u>	<u>18,765</u>
Total recognised gains less losses relating to the year and net addition to funds		
	<u>140</u>	<u>18,765</u>
Total Funds at 1 October 2002	<u>50,798</u>	<u>32,033</u>
Total Funds at 30 September 2003	<u>50,938</u>	<u>50,798</u>

**TOTAL PROFIT RECONCILIATION**

	2003 £000	2002 £000
Profit on ordinary activities for the year	1,541	30,649
Profit related bonuses in subsidiary companies	(1,358)	(1,041)
BMT profit sharing scheme	(200)	(1,800)
Taxation	234	(9,044)
Minority interest	19	-
	<u>236</u>	<u>18,764</u>
Retained Profit for the year		
	<u>236</u>	<u>18,764</u>

**GROUP BALANCE SHEET**  
at 30 September 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Positive Goodwill	11	8,195	5,963
Negative Goodwill	11	-	(588)
		<u>8,195</u>	<u>5,375</u>
Other Intangible Assets	11	1,856	-
Tangible assets	12	8,081	7,875
Investments	13	26,233	30,372
Investments in Associates	13	93	439
		<u>44,458</u>	<u>44,061</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	14	6,538	5,463
Debtors:			
Amounts falling due within one year	15	21,073	17,506
Amounts falling due after one year	15	1,413	1,607
Cash at bank and in hand	16	7,250	8,656
		<u>36,274</u>	<u>33,232</u>
<b>CREDITORS: Amounts falling due within one year</b>	17	<u>27,697</u>	<u>25,780</u>
<b>NET CURRENT ASSETS</b>		<u>8,577</u>	<u>7,452</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		53,035	51,513
<b>CREDITORS: amounts falling due after more than one year</b>	18	1,633	430
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	232	28
<b>ACCRUALS AND DEFERRED INCOME</b>	21	249	257
		<u>50,921</u>	<u>50,798</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	22	50,938	50,798
<b>TOTAL FUNDS</b>		<u>50,938</u>	<u>50,798</u>
Minority interest		(17)	-
		<u>50,921</u>	<u>50,798</u>

Approved by the Board on 16 December 2003

R Swann Director

D K McSweeney Director



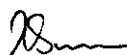
**COMPANY BALANCE SHEET**  
at 30 September 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible assets	12	5,935	5,685
Investments	13	<u>45,754</u>	<u>44,539</u>
		<u>51,689</u>	<u>50,224</u>
<b>CURRENT ASSETS</b>			
Debtors:	15		
Amounts falling due within one year		4,086	2,668
Amounts falling due after one year		4,612	5,890
Cash at bank and in hand		298	3,218
		<u>8,996</u>	<u>11,776</u>
<b>CREDITORS: amounts falling due within one year</b>	17	<u>5,471</u>	<u>7,414</u>
<b>NET CURRENT ASSETS</b>		<u>3,525</u>	<u>4,362</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		55,214	54,586
<b>CREDITORS: amounts falling due after more than one year</b>	18	1,030	40
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	365	400
<b>ACCRUALS AND DEFERRED INCOME</b>	21	<u>249</u>	<u>257</u>
		<u>53,570</u>	<u>53,889</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	22	<u>53,570</u>	<u>53,889</u>
<b>TOTAL FUNDS</b>		<u>53,570</u>	<u>53,889</u>

Approved by the Board on 16 December 2003

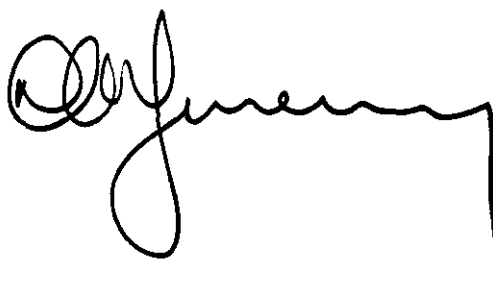
R Swann

Director



D K McSweeney

Director



**GROUP STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2003

	Notes	2003 £000	2002 £000
<b>NET CASH INFLOW</b>			
<b>FROM OPERATING ACTIVITIES</b>			
Reconciliation to operating profit on page 14		911	346
<b>RETURNS ON INVESTMENTS AND SERVICING</b>			
<b>OF FINANCE</b>			
Interest and similar income received		94	132
Interest paid		(82)	(91)
Interest paid on finance leases		(22)	(22)
Fixed asset investment income received		932	1,475
		922	1,494
<b>TAXATION</b>			
Corporation tax (paid)		(3,473)	(4,611)
<b>CAPITAL EXPENDITURE &amp; FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(1,269)	(947)
Transfer from/(to) managed funds		3,921	(13,470)
Receipts from sales of tangible fixed assets		72	63
		2,724	(14,354)
<b>ACQUISITIONS AND DISPOSALS</b>			
Purchase of shares in subsidiary undertakings	13	(3,737)	(4,932)
Purchase of shares in associated undertakings	13	(33)	(675)
Cash acquired with subsidiary undertakings		406	(300)
Proceeds of sale of subsidiary undertaking		-	30,561
Cash disposed with subsidiary undertaking		-	(396)
		(3,364)	24,258
<b>BMT PROFIT SHARING SCHEME PAYMENT</b>			
		(1,781)	(2,460)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE USE OF</b>			
<b>LIQUID RESOURCES AND FINANCING</b>			
		(4,061)	4,673
<b>FINANCING</b>			
Repayments of capital element of finance lease rentals		(52)	(32)
Repayment of short term loan		(499)	(1,520)
Increase in short term borrowings		600	499
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>			
		49	(1,053)
<b>(DECREASE)/INCREASE IN CASH</b>			
	16	(4,012)	3,620

**GROUP STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2003

	2003 £000	2002 £000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Group operating profit	158	1,061
Depreciation	1,135	1,040
Amortisation of design portfolio	64	5
Amortisation of goodwill	524	268
Release of negative goodwill	(588)	(1,293)
Amortisation of Government grants	(8)	(9)
(Increase) in work in progress	(655)	(86)
(Increase) in debtors	(1,747)	(4,086)
Increase in creditors	2,296	3,657
Exchange differences	15	4
Decrease in provisions for liabilities and charges	7	(15)
Provision on investment	(290)	(200)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>911</b>	<b>346</b>

	2003 £000	2002 £000
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS</b>		
(Decrease)/Increase in cash	(4,012)	3,620
Repayment of short term loan	499	1,520
Increase in short term borrowings	(600)	(499)
Assets purchased under finance leases	-	(72)
Repayments of capital element of finance lease rentals	52	32
	(4,061)	4,601
Net funds at 30 September 2002	5,686	1,085
Net funds at 30 September 2003	1,625	5,686

	2003 £000	2002 £000
<b>ANALYSIS OF NET FUNDS</b>		
Net cash at bank and in hand	2,282	6,294
Bank loans	(600)	(499)
Finance leases	(57)	(109)
	1,625	5,686

**GROUP STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2003

**Purchase of subsidiary undertakings**

	2003 £000	2002 £000
<b>Net assets acquired</b>		
Tangible fixed assets	159	398
Intangible fixed assets	1,920	-
Work in progress	419	804
Debtors	1,299	2,010
Cash at bank and in hand	406	(350)
Creditors	(1,863)	(2,264)
	<u>2,340</u>	<u>598</u>
 Goodwill	 <u>2,806</u>	 <u>4,559</u>
	<u>5,146</u>	<u>5,157</u>
 Satisfied by:		
Initial consideration	3,737	4,932
Deferred consideration	1,409	-
Cash previously incurred	<u>-</u>	<u>225</u>
	<u>5,146</u>	<u>5,157</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

**1. PRINCIPAL ACCOUNTING POLICIES**

**Accounting Policies**

The Group financial statements are prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies is given below. Accounting policies have been applied consistently with previous years except as noted below.

Under the transitional rules of FRS 17, the Group has made certain balance sheet disclosures which are presented in note 26.

**Basis of accounting**

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

The Group operates a profit sharing scheme which 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 present it separately as a charge immediately above 'Profit before Tax'. The directors believe this presentation better reflects the nature of this benefit 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.

**Basis of consolidation**

The consolidated profit and loss account and balance sheet include the results of the company and its subsidiary undertakings made up to 30 September 2003. 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 and resulting goodwill 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.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for British Maritime Technology Limited.

**Goodwill and Intangible Fixed Assets**

Goodwill arising on acquisitions occurring since 1 October 1998 has been capitalised in the balance sheet and will be amortised through the profit and loss account over its useful economic life. Goodwill is amortised over five to fifteen years reflecting the directors' estimate of the useful economic life of each acquisition.

Negative goodwill was being written off over the period of expected losses following the purchase of the Salvage Association, and is now fully amortised.

**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 less impairment, if any.

NOTES TO THE ACCOUNTS  
at 30 September 2003

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

**Research and development expenditure**

Expenditure on research and development is written off against profits as it is incurred.

**Investments**

Fixed asset investments held in the managed fund earn interest and 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.

Other listed investments are stated at cost and any dividends are recorded in the profit and loss account upon receipt.

If, in the opinion of the directors, there has been a permanent diminution in value of a fixed asset investment, an appropriate provision is made.

**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 buildings and leasehold property	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 to 10 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 or disposal.

NOTES TO THE ACCOUNTS  
at 30 September 2003

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

**Long-term contracts**

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end by recording turnover and related (as defined above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Any differences between invoiced turnover and turnover as calculated above, are shown as "Amounts recoverable on contracts" in the balance sheet.

Full provision is made for losses on all contracts in the period in which they are first foreseen.

**Provision for liabilities and charges**

Provisions for property costs relating to financing of 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.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**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.

NOTES TO THE ACCOUNTS  
at 30 September 2003

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

**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.

**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 and forward contracts 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.

**Ex Civil Servants redundancy costs**

The cost of future on-going support payments and annuities purchased to meet future support payments are written off as incurred.

**Pension costs**

The Group operates a defined benefit pension scheme which is funded by the payment of contributions to a separately administered fund. See note 26 for details.

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 average remaining working lives of employees. 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 operate defined contribution pension schemes charge contributions to the profit and loss account as they become payable.

2. **GROUP TURNOVER**

The Group is a multi-disciplinary engineering and technology consultancy, specialising in design, support and risk and contract management. This consultancy is supported by a significant research investment. The main market areas are defence, energy, environment, marine surveying & insurance and transportation.

An analysis of turnover by geographical market is given below:

	2003	2002
	£000	£000
	Total	Total
UK	32,308	30,656
North America	17,864	16,150
Other European Union	4,756	3,715
Rest of the world	7,714	5,840
	<u>62,642</u>	<u>56,361</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

3. COSTS LESS OTHER INCOME

	2003				2002			
	£000	£000	£000	£000	£000	£000	£000	£000
Charges/(credits):	Cont.	Acq'd	Disc.	Total	Cont.	Acq'd	Disc.	Total
Changes in stocks and work in progress	(583)	(146)	38	(691)	(199)	(120)	(453)	(772)
Other operating income	(787)	(23)	-	(810)	(411)	(55)	-	(466)
Raw materials and consumables	7,374	187	47	7,608	5,584	1,015	161	6,760
Other external charges	8,886	4	64	8,954	6,470	138	1,353	7,961
Staff costs (note 6)	35,109	1,142	612	36,863	31,010	2,162	1,557	34,729
Depreciation and amortisation	1,665	24	34	1,723	1,189	77	38	1,304
Release of negative goodwill	(588)	-	-	(588)	(1,293)	-	-	(1,293)
Other operating charges	8,209	779	437	9,425	5,647	799	631	7,077
	59,285	1,967	1,232	62,484	47,997	4,016	3,287	55,300

4. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

	2003	2002
	£000	£000
<b>Group:</b>		
Auditors' remuneration:		
Baker Tilly		
- audit services	104	99
- non-audit services	70	27
Other Auditors		
- audit services	59	57
- non-audit services	18	64
Operating lease rentals receivable:		
- buildings	(12)	(14)
Operating lease rentals payable:		
- other equipment	102	150
- buildings	899	695
Exchange profit on foreign currency borrowings less deposits	98	(31)
Amortisation of Government grants	8	8
Depreciation on owned assets	1,127	1,014
Depreciation on assets held under finance leases	8	26
Amortisation of intangible fixed assets	588	273
Amortisation of Goodwill	(588)	(1,293)
<b>Company:</b>		
Auditors' remuneration:		
- audit services	49	49
- non-audit services	48	17

A portion of the audit fees referred to above relate to due diligence/acquisition services and those costs have been capitalised as part of the cost of investment.

NOTES TO THE ACCOUNTS  
at 30 September 2003

5. DIRECTORS' REMUNERATION

	2003 £000	2002 £000
Emoluments (including pension contributions)	<u>815</u>	<u>1,258</u>
Highest paid director:	2003 £000	2002 £000
Aggregate emoluments	200	431
Defined benefit pension scheme:		
Accrued pension at end of year	<u>44</u>	<u>150</u>

6. STAFF COSTS

	2003 £000	2002 £000
Salaries	31,890	30,486
Social security costs	2,481	2,320
Pension and post retirement costs	<u>2,492</u>	<u>1,923</u>
	36,863	34,729
Bonus on profit on disposal of subsidiary undertaking	-	252
BMT profit sharing scheme:		
Wages and salaries	178	1,622
Social security costs	<u>22</u>	<u>178</u>
	<u>37,063</u>	<u>36,781</u>

The average weekly number of employees, excluding joint venture staff, during the year was made up as follows:

	2003 No.	2002 No.
Scientific and technical	694	672
Administrative and support	<u>164</u>	<u>177</u>
	<u>858</u>	<u>849</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

**7. PROFIT ON SALE OF UNDERTAKINGS**

On 2 November 2001 the Group disposed of its holding in GVA Consultants AB, the trading activities have been treated as a discontinued activity within the Group's profit and loss account.

	2003 £000	2002 £000
Disposal Proceeds	-	32,505
Less:		
Reserves at date of disposal	-	(1,852)
Goodwill	-	(157)
Design Portfolio	-	(1,040)
Income/(Costs) arising on disposal	50	(1,692)
Director's bonus on profit on disposal	-	(252)
	<u>50</u>	<u>27,512</u>

A tax attributable to the profit on disposal of approximately £9 million was included within the corporation tax charge for the year ended 2002.

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2003 £000	2002 £000
Bank interest	<u>94</u>	<u>132</u>

**9. INTEREST PAYABLE**

	2003 £000	2002 £000
Bank loans, overdrafts and other loans	82	91
On finance leases	22	22
	<u>104</u>	<u>113</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2003 £000	2002 £000
Current tax:		
UK corporation tax on results of period	54	7,985
Share of associates tax	3	16
Adjustments in respect of prior periods	(574)	36
Foreign tax	77	76
	<u>(440)</u>	<u>8,113</u>
Deferred tax:		
UK deferred tax	(125)	757
Overseas deferred tax	331	174
Total deferred tax	<u>206</u>	<u>931</u>
Tax on result on ordinary activities	<u>(234)</u>	<u>9,044</u>
<b>Factors affecting tax charge for the period</b>		
The tax assessed for the period is lower than the standard rate of Corporation tax in the UK (30%)		
(Loss)/Profit on ordinary activities before tax	<u>(17)</u>	<u>27,808</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002: 30%)	(5)	8,342
Effects of:		
Items not deductible for tax purposes	245	310
Short term timing differences	152	(450)
Prior year adjustment	(574)	36
Capital allowances in excess of depreciation	(13)	(10)
Utilisation of tax losses	(275)	(117)
Adjustment in respect of overseas tax rates	30	2
Current tax (credit)/charge for the period	<u>(440)</u>	<u>8,113</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

11. INTANGIBLE FIXED ASSETS

	Goodwill £000	Negative Goodwill £000	Marine Design Portfolio £000	Total £000
Cost:				
At 1 October 2002	6,505	(3,147)	-	3,358
Additions	2,791	-	1,920	4,711
Exchange difference	(35)	-	-	(35)
At 30 September 2003	9,261	(3,147)	1,920	8,034
Amortisation:				
At 1 October 2002	542	(2,559)	-	(2,017)
Provided during the year	524	(588)	64	-
At 30 September 2003	1,066	(3,147)	64	(2,017)
Net book value at 30 September 2003	8,195	-	1,856	10,051
Net book value at 30 September 2002	5,963	(588)	-	5,375

The directors have reassessed the value of goodwill capitalised and determined that no adjustment to its carrying value was required.

Details of the goodwill arising on acquisition are set out in note 13.

NOTES TO THE ACCOUNTS  
at 30 September 2003

12. TANGIBLE FIXED ASSETS  
Group

	<i>Freehold land and buildings</i>	<i>Long leasehold properties</i>	<i>Leasehold buildings &amp; 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 at:							
1.10.02	5,726	1,433	716	352	5,097	3,553	16,877
Acquisitions	-	-	-	-	148	176	324
Additions	312	-	231	30	374	322	1,269
Disposals	-	-	-	(60)	(410)	(126)	(596)
Exchange Fluctuations	-	-	-	-	(45)	30	(15)
At 30.9.03	<u>6,038</u>	<u>1,433</u>	<u>947</u>	<u>322</u>	<u>5,164</u>	<u>3,955</u>	<u>17,859</u>
Depreciation:							
1.10.02	1,314	330	521	178	3,838	2,821	9,002
Acquisitions	-	-	-	-	81	84	165
Provided during year	146	29	88	39	568	265	1,135
Disposals	-	-	-	(29)	(388)	(107)	(524)
Exchange Fluctuations	-	-	5	-	(35)	30	-
At 30.9.03	<u>1,460</u>	<u>359</u>	<u>614</u>	<u>188</u>	<u>4,064</u>	<u>3,093</u>	<u>9,778</u>
Net book value							
At 30.9.03	<u>4,578</u>	<u>1,074</u>	<u>333</u>	<u>134</u>	<u>1,100</u>	<u>862</u>	<u>8,081</u>
At 30.9.02	<u>4,412</u>	<u>1,103</u>	<u>195</u>	<u>174</u>	<u>1,259</u>	<u>732</u>	<u>7,875</u>

The net book value of tangible fixed assets includes an amount of £383,000 (2002: £395,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS  
at 30 September 2003

12. TANGIBLE FIXED ASSETS (Continued)  
Company

	<i>Freehold land and buildings £000</i>	<i>Long leasehold property £000</i>	<i>Leasehold buildings and improve- ments less than 20 years £000</i>	<i>Motor vehicles £000</i>	<i>Computers and Instruments £000</i>	<i>Other equipment £000</i>	<i>Total £000</i>
Cost at:							
1.10.02	5,726	1,433	146	26	109	576	8,016
Additions	312	-	145	-	12	38	507
Transfers	-	-	-	-	1	-	1
Disposals	-	-	-	(16)	(15)	-	(31)
At 30.9.03	<u>6,038</u>	<u>1,433</u>	<u>291</u>	<u>10</u>	<u>107</u>	<u>614</u>	<u>8,493</u>
Depreciation:							
1.10.02	1,314	330	131	8	69	479	2,331
Provided during year	146	29	21	4	20	29	249
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	(7)	(15)	-	(22)
At 30.9.03	<u>1,460</u>	<u>359</u>	<u>152</u>	<u>5</u>	<u>74</u>	<u>508</u>	<u>2,558</u>
Net book value:							
At 30.9.03	<u>4,578</u>	<u>1,074</u>	<u>139</u>	<u>5</u>	<u>33</u>	<u>106</u>	<u>5,935</u>
At 30.9.02	<u>4,412</u>	<u>1,103</u>	<u>15</u>	<u>18</u>	<u>40</u>	<u>97</u>	<u>5,685</u>

The net book value of tangible fixed assets includes an amount of £383,000 (2002: £395,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS

Group

	<i>Managed fund £000</i>	<i>Listed Investments £000</i>	<i>Bank Deposits £000</i>	<i>Total £000</i>
Cost:				
At 1 October 2002	18,099	8,233	4,205	30,537
Additions	-	1,083	35	1,118
Disposals	(5,039)	-	(211)	(5,250)
At 30 September 2003	<u>13,060</u>	<u>9,316</u>	<u>4,029</u>	<u>26,405</u>
Provisions:				
At 1 October 2002	165	-	-	165
Charge for year	7	-	-	7
Disposals/Release	-	-	-	-
At 30 September 2003	<u>172</u>	<u>-</u>	<u>-</u>	<u>172</u>
Net book value				
At 30 September 2003	<u>12,888</u>	<u>9,316</u>	<u>4,029</u>	<u>26,233</u>
At 30 September 2002	<u>17,934</u>	<u>8,233</u>	<u>4,205</u>	<u>30,372</u>

The managed fund represents two portfolios of readily marketable interest bearing securities held under management by Schroder Investment Management International Limited and Brewin Dolphin Securities Limited.

The market value of the managed fund at 30 September 2003 was £13,022,000 (2002: £17,910,000). The market value of the listed investments at 30 September 2003 was £8,688,000 (2002: £5,368,000)

The first bank deposit of £1,019,000 is secured on a deed of charge dated 20 February 1987 in favour of ex Civil Servants employed within the Group.

The second bank deposit of £3,010,000 is secured in favour of Dresser Industries Inc. This security was released on 1 November 2003 in accordance with the terms of the agreement.

In addition to the above investments, the Group also participates in associated undertakings as follows:

	<i>Total £'000</i>
Associates:	
Cost:	
At 1 October 2002	439
Additions	33
Share of profits and losses	(379)
At 30 September 2003	<u>93</u>

The share of associates losses of £736,000 shown in the profit and loss account is made up of the £379,000 above plus £360,000 provision against loans less £3,000 share of associates tax.

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)  
Company

	<i>Managed Fund £000</i>	<i>Listed Investments £000</i>	<i>Bank Deposits £000</i>	<i>Subsidiary Undertakings £000</i>	<i>Associates £000</i>	<i>Total £000</i>
Cost:						
At 1 October 2002	18,099	8,233	4,205	17,158	836	48,531
Additions	-	1,083	35	5,615	19	6,752
Disposals	(5,039)	-	(211)	(149)	-	(5,399)
At 30 September 2003	<u>13,060</u>	<u>9,316</u>	<u>4,029</u>	<u>22,624</u>	<u>855</u>	<u>49,884</u>
Provisions:						
At 1 October 2002	165	-	-	3,777	50	3,992
Charge for year	7	-	-	236	589	832
Disposals/Release	-	-	-	(694)	-	(694)
At 30 September 2003	<u>172</u>	<u>-</u>	<u>-</u>	<u>3,319</u>	<u>639</u>	<u>4,130</u>
Net book value:						
At 30 September 2003	<u>12,888</u>	<u>9,316</u>	<u>4,029</u>	<u>19,305</u>	<u>216</u>	<u>45,754</u>
At 30 September 2002	<u>17,934</u>	<u>8,233</u>	<u>4,205</u>	<u>13,381</u>	<u>786</u>	<u>44,539</u>

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

The market value of the managed fund at 30 September 2003 was £13,022,000 (2002: £17,910,000).

The market value of the listed investments at 30 September 2003 was £8,688,000 (2002: £5,368,000)

The first bank deposit of £1,019,000 is secured on a deed of charge dated 20 February 1987 in favour of ex Civil Servants employed within the Group.

The second bank deposit of £3,010,000 is secured in favour of Dresser Industries Inc. This security was released on 1 November 2003 in accordance with the terms of the agreement.

NOTES TO THE ACCOUNTS  
at 30 September 2003

**13. 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:

Subsidiary undertakings	Country of Registration (or incorporation)	Holding	Proportion held	Nature of Business
<i>Name of company</i>				
BMT Asia Pacific Limited	Hong Kong	Ordinary shares	100%	Environmental Consultancy
BMT Asia Pacific Pte Limited	Singapore	Ordinary shares	100%*	Maritime consultancy
BMT Asia Environment Limited	Hong Kong	Ordinary shares	100%*	Environmental Consultancy
BMT Defence Services Limited	England and Wales	Ordinary shares	100%	Services to the defence industry
BMT Entech Inc	USA	Ordinary shares	100%	Environmental Consultancy
BMT Fluid Mechanics Limited	England and Wales	Ordinary shares	100%	Fluid and structural mechanics consultancy
BMT Marine Procurement Limited	England and Wales	Ordinary shares	100%	Procurement and contract management services for the marine industry
BMT Murray Fenton Limited	England and Wales	Ordinary shares	100%	Maritime litigation consultancy services
BMT Nigel Gee and Associates Limited	England and Wales	Ordinary shares	100%	Naval Architectural Services
BMT Reliability Consultants Limited	England and Wales	Ordinary shares	100%	Reliability life cycle costing and safety services
BMT Salvage Limited	England and Wales	Ordinary shares	100%	Marine Hull and machinery casualty surveying

NOTES TO THE ACCOUNTS  
at 30 September 2003

## 13. FIXED ASSET INVESTMENTS (Continued)

Subsidiary undertakings	Country of Registration (or incorporation)	Holding	Proportion held	Nature of Business
<i>Name of company</i>				
BMT SeaTech Limited	England and Wales	Ordinary shares	100%	Specialist consultancy services for commercial shipping
BMT SHIPDESIGN Limited	England and Wales	Ordinary shares	100%	Naval architectural and marine engineering services
BMT Cordah Limited	Scotland	Ordinary shares	100%	Environmental consultancy
BMT Designers & Planners Inc	USA	Common stock	100%*	Ship engineering and environmental services
BMT Transport Solutions GmbH	Germany	Ordinary shares	100%	Inter-modal transport
BMT Fleet Technology Limited	Canada	Ordinary shares	100%*	Services to the cold regions and defence industry
BMT Scientific Marine Services Inc.	USA	Common stock	100%*	Marine and offshore consultancy
BMT de Beer & co BV	Netherlands	Ordinary shares	100%	Marine surveying
Syntek Technologies Inc	USA	Common stock	100%*	Defence consultancy
BMT Maritime Consultants (Pty) Limited	Australia	Ordinary shares	60%	Port Consultancy
<b>Associated undertakings</b>				
Prism Risk Management Limited	England and Wales	Ordinary and Preference	40% **	Risk management products for the health market
Ceto Environmental Limited	Scotland	Ordinary shares	29.7%	Oil and chemical spill response
Argoss BV	Netherlands	Ordinary shares	20%	Earth observation consultancy

\* Held by subsidiary undertaking.

\*\* Part held by subsidiary undertaking

All companies acquired during the year are accounted for using the acquisition accounting method

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)

*TFK Transportforschung GmbH*

On 7 November 2002 the company purchased TFK Transportforschung GmbH, a company based in Hamburg, Germany for a consideration of £131,000.

Net assets at the date of acquisition

		Book and fair value £000
Tangible Fixed Assets		17
Work in Progress		304
Trade Debtors		98
Other Debtors		73
Cash		6
Assets		<u>498</u>
Trade creditors		(14)
Other taxes and social security		(20)
Bank overdraft		(18)
Other creditors		(428)
Inter-company creditors		(31)
Liabilities		<u>(511)</u>
Net Liabilities		(13)
Consideration is as follows:		
Initial consideration	114	
Costs associated with the acquisition	<u>17</u>	
		<u>131</u>
Goodwill arising on acquisition		<u>144</u>

There were no fair value adjustments on acquisition.

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)

*Nigel Gee & Associates Limited*

On 3 April 2003 the company purchased Nigel Gee & Associates Limited, a company based in England and Wales for an estimated consideration of £3,570,000.

Net assets at the date of acquisition

	Book value £000	Adjustment £000	Fair value to group £000
Design Portfolio	-	1,920	1,920
Tangible Fixed Assets	66	-	66
Work in Progress	69	(56)	13
Trade Debtors	902	-	902
Other Debtors	207	-	207
Cash	418	-	418
Assets	<u>1,662</u>	<u>1,864</u>	<u>3,526</u>
Trade creditors	(16)	-	(16)
Corporation Tax	(123)	-	(123)
Other taxes	(334)	-	(334)
Other creditors	(645)	(22)	(667)
Long term liabilities	(11)	-	(11)
Liabilities	<u>(1,129)</u>	<u>(22)</u>	<u>(1,151)</u>
Net Assets			2,375
Consideration is estimated as follows:			
Initial consideration		2,455	
Contingent consideration		1,000	
Costs associated with the acquisition		<u>115</u>	
			<u>3,570</u>
Goodwill arising on acquisition			<u>1,195</u>

The design portfolio was based upon the directors' experience and post valuations of similar portfolios.

The other fair value adjustments above were made to record the assets at their expected recoverable amounts.

The contingent consideration is based upon the directors' estimate and could be up to £3,500,000.

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)

*Entech Technologies Inc*

On the 29 August 2003, BMT Entech Inc purchased the trade of Entech Technologies Inc Washington Division for an estimated consideration of £990,000

Net assets at the date of acquisition

		Book and fair value £000
Tangible Fixed Assets		56
Cash		1
Work in Progress		32
Other Debtors		18
Trade Creditors		(170)
Other Creditors		(4)
Net Liabilities		(67)
Consideration is estimated as follows:		
Initial consideration	661	
Contingent consideration	253	
Costs associated with the acquisition	76	
		990
Goodwill arising on acquisition		1,057

There were no fair value adjustments on acquisition.

The deferred consideration is the directors estimate of the consideration due over 17 years under the sale and purchase agreement and could be up to £1,025,000

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)

*James Dillon and Associates Inc*

On the 31 July 2003, BMT Salvage Limited purchased the trade of James Dillon and Associates Inc, accompany based in the USA for £143,000.

Net assets at the date of acquisition

		Book and fair value £000
Tangible Fixed Assets		4
Work in Progress		1
Net Assets		<u>5</u>
Consideration paid as follows:		
Initial consideration	93	
Costs associated with the acquisition	<u>50</u>	
		<u>143</u>
Goodwill arising on acquisition		<u>138</u>

There were no fair value adjustments on acquisition.

NOTES TO THE ACCOUNTS  
at 30 September 2003

13. FIXED ASSET INVESTMENTS (Continued)

*Technical Marine Associates Inc*

On the 14 August 2003, BMT Salvage Limited purchased the trade of Technical Marine Associates Inc, a company based in the USA for an estimated consideration of £312,000.

		Book and fair value £000
Tangible Fixed Assets		16
Current Assets		70
Current Liabilities		(46)
Net Assets		<u>40</u>
Consideration estimated as follows:		
Initial consideration	156	
Deferred consideration	<u>156</u>	<u>312</u>
Goodwill arising on acquisition		<u>272</u>

There were no fair value adjustments on acquisition.

The deferred consideration is the directors' estimate of liabilities falling due under the sales and purchase agreements and is based upon future profits for the next 4 years.

NOTES TO THE ACCOUNTS  
at 30 September 2003

14. STOCKS AND WORK IN PROGRESS  
Group

	2003 £000	2002 £000
Work in progress	<u>6,538</u>	<u>5,463</u>

15. DEBTORS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year:				
Trade debtors	17,917	14,610	768	963
Amounts owed by subsidiary				
Undertakings	-	-	2,363	999
Other debtors	1,159	1,381	210	342
Corporation tax	436	-	436	-
Prepayments and accrued income	1,093	1,036	182	17
Amounts recoverable on contracts	<u>468</u>	<u>479</u>	<u>127</u>	<u>347</u>
	<u>21,073</u>	<u>17,506</u>	<u>4,086</u>	<u>2,668</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary				
Undertakings	-	-	3,262	4,490
Other debtors	1,396	1,597	1,350	1,400
Prepayments and accrued income	<u>17</u>	<u>10</u>	<u>-</u>	<u>-</u>
	<u>1,413</u>	<u>1,607</u>	<u>4,612</u>	<u>5,890</u>

Included within other debtors is a pension prepayment totalling £1,350,000 (2002: £1,500,000).

NOTES TO THE ACCOUNTS  
at 30 September 2003

## 16. CASH

## Group

	2003	2003	2002	2002	2001
	£000	Change In year £000	£000	Change In year £000	£000
Analysis of balances:					
Cash at bank and in hand	7,250	(1,406)	8,656	2,442	6,214
Bank overdrafts	(4,968)	(2,606)	(2,362)	1,178	(3,540)
At 30 September 2003	<u>2,282</u>	<u>(4,012)</u>	<u>6,294</u>	<u>3,620</u>	<u>2,674</u>

## Group

	2003	2002
	£000	£000
Changes during the year:		
At 1 October 2002	6,294	2,674
Net cash (outflow) / inflow	<u>(4,012)</u>	<u>3,620</u>
At 30 September 2003	<u>2,282</u>	<u>6,294</u>

## 17. CREDITORS: Amounts falling due within one year

	Notes	Group	Company
		2003 £000	2002 £000
		2003 £000	2002 £000
Bank overdraft		4,968	2,362
Short term bank loan	19	558	499
Obligations under finance leases		8	9
Income in advance of work in progress		8,340	5,486
Trade creditors		4,843	5,454
Amounts owed to subsidiary undertakings		-	-
Amounts owed to associated undertakings		-	5
Corporation tax		351	3,586
Other taxation and social security		1,025	1,386
Other creditors		2,987	1,531
BMT profit sharing scheme		200	1,800
Accrued charges		4,417	3,662
		<u>27,697</u>	<u>25,780</u>
		<u>5,471</u>	<u>7,414</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

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

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank Loans	42	-	-	-
Obligations under finance leases	47	100	30	40
Other creditors	1,544	330	1,000	-
	<u>1,633</u>	<u>430</u>	<u>1,030</u>	<u>40</u>

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

	2003	2002
	£000	£000
In one year or less	8	9
Between one and five years	<u>47</u>	<u>100</u>
	<u>55</u>	<u>109</u>

19. LOANS

	Notes	Group		Company	
		2003	2002	2003	2002
		£000	£000	£000	£000
Repayable within one year	17	558	499	531	-
Repayable between 1 – 2 years	17	27	-	-	-
Repayable between 2 – 5 years	17	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>600</u>	<u>499</u>	<u>531</u>	<u>-</u>

Analysis of changes in group loan financing during the year:

	2003	2002
	£000	£000
At 1 October 2002	499	1,520
New loans	600	499
Repayment of loans	<u>(499)</u>	<u>(1,520)</u>
At 30 September 2003	<u>600</u>	<u>499</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

**20. PROVISIONS FOR LIABILITIES AND CHARGES**

	2003 £000	2002 £000
<b>Deferred Taxation</b>		
<b>Group</b>		
Balance at 1 October 2002	28	(903)
Transfer from profit and loss	204	931
	<hr/>	<hr/>
Balance at 30 September 2003	<u>232</u>	<u>28</u>
	2003 £000	2002 £000
Provision for deferred tax has been made as follows:		
Short term timing differences	298	450
Depreciation in excess of capital allowances	(66)	(78)
Tax losses carried forward	-	(344)
	<hr/>	<hr/>
Provision for deferred tax	<u>232</u>	<u>28</u>
		Deferred Taxation £000
<b>Company</b>		
Balance at 1 October 2002		400
Transfer from profit and loss		(35)
		<hr/>
Balance at 30 September 2003		<u>365</u>

The above provision relates to short term timing differences

NOTES TO THE ACCOUNTS  
at 30 September 2003

**21. ACCRUALS AND DEFERRED INCOME**

Accruals and deferred income comprise 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 and Company**

	£000
At 1 October 2002	257
Amounts released to profit and loss account	(8)
	<hr/>
At 30 September 2003	<u>249</u>

**22. RESERVES**

**Group**

	Profit and Loss reserve £000
At 1 October 2002	50,798
Exchange translation loss on foreign equity investment	(96)
Retained profit for the year	<u>236</u>
	<hr/>
At 30 September 2003	<u>50,938</u>

There remains an accumulated amount of goodwill written off directly to reserves of £3,073,000 (2002: £3,073,000). This goodwill relates to the purchases of Designers & Planners Inc, Reliability Consultants Limited and Scientific Marine Services Inc.

**Company**

At 1 October 2002	53,889
Retained loss for the year	<u>(319)</u>
	<hr/>
At 30 September 2003	<u>53,570</u>

**23. SHARE CAPITAL**

The company is limited by guarantee without share capital.

**NOTES TO THE ACCOUNTS**  
at 30 September 2003

**24. CONSTITUTION AND CONTROL**

Within British Maritime Technology Limited there are two classes of member with the following rights:-

Type of Member	Number of Votes	Interest
Ordinary	None	Non equity
Trustee of the 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. No ordinary member shall have any entitlement to share in the profits or surplus assets of the company.

The company is in the ultimate control of the Trustees of the EBT, in beneficial ownership for all employees.

**25. LEASING COMMITMENTS**

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

	Land and Buildings		Other	
	2003	2002	2003	2002
	£000	£000	£000	£000
<b>Group</b>				
Operating leases which expire:				
Within one year	292	264	92	98
In the second to fifth years inclusive	882	924	95	183
Over five years	<u>287</u>	<u>190</u>	<u>-</u>	<u>-</u>
<b>Company</b>				
Operating leases which expire:				
Within one year	12	29	4	10
In the second to fifth years inclusive	26	26	12	16
Over five years	<u>90</u>	<u>145</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS  
at 30 September 2003

**26. PENSION COMMITMENTS**

The accounts have been prepared in accordance with the accounting requirements of SSAP 24 - Accounting for Pension Costs, UITF abstract 6 - Accounting for post-retirement benefits other than pensions and, in addition, disclose those items required by FRS 17 during this transitional period.

The Group operates both defined benefit and defined contribution schemes throughout the world. The most significant one of which is the British Maritime Technology Pension and Life Assurance Scheme ("The BMT Scheme") which is a defined benefit scheme. BMT Salvage Limited participates in the Lloyds defined benefit scheme and had defined benefit schemes in North America which are now closed. In North America, Europe and the Far East a mixture of state and private defined contribution schemes continue to be operated by those subsidiaries with staff located there.

**Defined contribution schemes**

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

**Defined benefit schemes**

*The BMT Scheme*

A majority of UK employees are members of the BMT Scheme which is funded by the payment of contributions from the Group and its 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. Due to the deteriorating financial markets the actuary carried out a valuation a year in advance of the planned triennial valuation.

The latest valuation received was conducted as at 6 April 2003. The main assumptions were that the rate of return on investments would be 7.0% and would exceed salary increases. This latest valuation showed that the actuarial value of the BMT scheme's assets amounted to £30,581,000 and was sufficient to cover 77% of the scheme's combined liabilities.

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 deficit or surplus which are spread over the average remaining service lives of members. The net charge is £1,995,000 (2002: £1,509,000).

*The BMT Salvage Schemes*

BMT Salvage Limited operates a number of defined benefit schemes. The UK support staff participate in a multi-employer scheme with Lloyds of London in which the company is currently benefiting from a contribution holiday. As the company is unable to identify on a consistent and reliable basis, its share of the underlying assets and liabilities of the scheme, the figures do not form part of their accounts.

The Canadian Scheme was terminated as at 31 December 2001 and the scheme deficit is not material and is now accounted for as a defined contribution scheme.

The latest valuation of the USA defined benefit scheme was carried out at 1 January 2001. The main assumptions were that the rate of return on investments would be 5.4%. The valuation showed that the actuarial value of the assets amounted to £8,099,000 and was sufficient to cover 107% of the scheme's combined liabilities. The net charge is £128,000 (2002 : £nil).

NOTES TO THE ACCOUNTS  
at 30 September 2003

**26. PENSION COMMITMENTS (continued)**

**Defined benefit schemes**

The latest actuarial valuations of the schemes has been updated to take account of the following transitional requirements of FRS 17 in order to assess the assets and liabilities of the Scheme at 30 September 2003.

	2003 £000	2002 £000
Total market value of assets	37,076	31,713
Present value of scheme liabilities	(56,133)	(44,898)
Deficit in Scheme	(19,057)	(13,185)
Related deferred tax asset	5,903	4,235
Net pension deficit	(13,154)	(8,950)

If the above amounts had been recognised in the financial statements, the group's net assets at 30 September 2003 would be as follows:

	£000
Net assets excluding pension deficit	50,921
Pension deficit	(13,154)
Net assets including pension deficit	37,767

Main assumptions for FRS 17 purposes	BMT Scheme		BMT Salvage	
	2003	2002	2003	2002
Rate of increase in salaries	4.0%	4.0%	0%	0%
Rate of increase in pensions in payment	3.3%	3.3%	0%	0%
Discount rate	5.3%	5.5%	5.4%	5.4%
Inflation assumption	2.7%	2.3%	0%	0%
Rate of increase to deferred pensions	2.7%	2.3%	0%	0%

NOTES TO THE ACCOUNTS  
at 30 September 2003

26. PENSION COMMITMENTS (continued)

Defined benefit schemes

The assets in the BMT Scheme at 30 September 2003 total £30,650,000, of which £30,380,00 is invested in the Cash Accumulation Policy within a Prudential with profits fund. The long-term rate of return expected at 30 September 2003 is 7.5%. The spread of the assets within the Cash Accumulation Policy is estimated as follows:

	BMT Scheme		BMT Salvage	
	2003	2002	2003	2002
Equities	45%	54%	57%	98%
Bonds and Cash	38%	32%	43%	2%
Properties	17%	14%	-	-
Total	100%	100%	100%	100%

The accounting standard 'FRS 17' requires disclosures to be made of the amounts that would be charged to the profit and loss account upon full implementation of the accounting standard. These are as follows:

Analysis of the amount charged to operating profit

	2003 £000
Service cost	2,160
Total operating charge	2,160

Analysis of the net return on pension plan

	2003 £000
Expected rate of return on pension plan assets	2,378
Interest on pension liabilities	(2,309)
	69

NOTES TO THE ACCOUNTS  
at 30 September 2003

**26. PENSION COMMITMENTS (continued)**

**Analysis of amount recognised in statement  
of total recognised gains and losses**

	<b>2003 £'000</b>
Actual return less expected return of assets	2,134
Experience gains and losses on liabilities	(1,500)
Changes In assumptions	(6,430)
Actual loss recognised in statement of total recognised gains and losses	<u>(5,796)</u>

**Movement in deficit during the year**

	<b>2003 £'000</b>
Deficit in plan at beginning of year	(13,185)
Movement in year:	
Current service cost	(2,160)
Contributions	1,788
Net return on interest cost	69
Actuarial loss	(5,796)
Exchange gain	227
Gross deficit in plan at end of year	<u>(19,057)</u>

**History of experience gains and losses**

	<b>2003</b>
Difference between expected and actual return on scheme assets:	
amount (£'000)	2,134
percentage of plan assets	5.8%
Experience gains and losses on plan liabilities:	
amount (£'000)	(1,500)
percentage of plan liabilities	2.7%
Total amount recognised in statement of total recognised gains and losses:	
amount (£'000)	(5,796)
percentage of plan liabilities	<u>10.3%</u>

NOTES TO THE ACCOUNTS

at 30 September 2003

**27. CONTINGENT LIABILITIES**

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 2003 was £3,538,000. The guarantee is unsecured.

*Capital Commitments*

The directors' current estimate of the total deferred consideration on acquisitions is £1,409,000. This figure is included in the goodwill as calculated in note 11.

**28. 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.

During the year, there were sales to three associated undertakings, Prism Risk Management Limited, CETO Environmental Limited and BMT Maritime Consultants (Pty) Limited of £14,000, £2,000 and £37,000 respectively. At the end of year Prism Risk Management Limited, BMT Maritime Consultants (Pty) Limited and CETO Environmental Limited owed the Group £137,000, £16,000 and £230,000 respectively.

**29. POST BALANCE SHEET EVENTS**

On the 8 December 2003, British Maritime Technology Limited increased its shareholding in CETO Environmental Limited to 50%.