

Company Number: 1887373

British Maritime Technology Limited
REPORT AND ACCOUNTS

30 SEPTEMBER 2000



COMPANY LIMITED BY GUARANTEE

DIRECTORS

D Goodrich (Chairman)
O Roith CB (Deputy Chairman)
Dr N E Cross
A P Docherty
B A Smouha
R Swann
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
Barlow Lyde & Gilbert
Nicholson & Morgan

REGISTERED OFFICE

Orlando House
1 Waldegrave Road
Teddington
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TW11 8LZ

REPORT AND ACCOUNTS
for the year ended 30 September 2000

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DIRECTORS' REPORT

The directors present their report together with the accounts of the company and the Group for the year ended 30 September 2000. The company is limited by guarantee without share capital. The assets of the company are in the ultimate control of the Trustees of the BMT Employee Benefit Trust 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 management. This consultancy is supported by a significant research investment. The main market areas are defence, environment, offshore oil and gas and transportation.

The various disciplines are more specifically defined on pages 25, 26 & 27.

REVIEW OF THE BUSINESS

The turnover for the year, including 50% of the turnover of the Babbie BMT Pacific Rim joint venture, was £45,149,000 (1999: £44,520,000). Trading was affected by both the UK Government's change in defence procurement practice and the slower than expected recovery of the offshore oil and gas market, two of the Group's main markets.

The three major acquisitions made last year have all settled in well and have added significantly to the Group's capabilities. GVA Consultants AB, is now managed within Sweden after its first year of UK management.

The Group, in concentrating on its core business areas, sold its 50% holding in the Pacific Rim joint venture to its partner, Babbie Group Limited on 29th September 2000. Concurrently BMT purchased the balancing 50% of BMT Asia Pacific Limited from Babbie Group Limited. This company works in environmental and marine consultancy and has offices in Hong Kong and Singapore.

The Group's R&D activities continued with a number of successful bids in Framework V of the European Commission's R&D programme. An example of the Group's own investment in R&D has led to the formation of PRISM, a business offering risk management software in the health care area.

RESULTS

The profit for the year on ordinary activities was £1,911,000. After the subsidiary companies' profit share, the BMT profit sharing scheme and taxation, £798,000 will be taken to reserves. The profit share payment within subsidiary companies was £512,000. The Board has approved a BMT profit share pool of £750,000 and this will be distributed to all eligible staff in March/April 2001.

The result is pleasing given the difficulties described above in the defence and offshore oil and gas markets and the investment by the company of £1,988,000 in research and development, which was partly funded by the EU. The increase in reserves is £1,376,000.

DIRECTORS' REPORT

DIRECTORS

The directors during the year were:

D Goodrich*	(Chairman)
O Roith CB	(Deputy Chairman)
Dr N E Cross	
A P Docherty*	
G H Fuller	(Retired from the Board 30 March 2000)
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:-

i)	Audit Sub-Committee:	B A Smouha Dr N E Cross O Roith CB	(Chairman) (Appointed 2 December 1999)
ii)	Remuneration Sub-Committee:	O Roith CB G H Fuller D Goodrich B Smouha	(Chairman) (Retired 30 March 2000) (Appointed 28 September 2000)
iii)	Research & Development Sub-Committee:	D Goodrich G H Fuller O Roith CB Dr F Caldeira-Saraiva	(Chairman) (Retired 30 March 2000) (not a Board member)
iv)	Investment Sub-Committee:	D Goodrich Dr N E Cross R J 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

The Trustees of the BMT Employee Benefit Trust, who are the sole voting members of the company, are:

O Roith CB	(Chairman of the Trustees)
Dr N E Cross	(Trustee)
G W Morton	(Independent Trustee)
Vice Admiral Sir Peter Woodhead KCB	(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. Health and safety reporting is required at every Board meeting of the parent company and at all subsidiary company Board meetings.

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

The assets of the company are in the ultimate control of the Trustees of the BMT Employee Benefit Trust (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, including financial and economic factors which affect the performance of the company and the Group. Most of the UK subsidiary undertakings 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.

CORPORATE GOVERNANCE

Whilst BMT is not a public company, its policy is nevertheless to comply with the spirit of the Combined Code and to comply with the Principles of Good Corporate Governance and the Code of Best Practice contained in the Combined Code where appropriate for a group of its size.

EUROPEAN MONETARY UNION

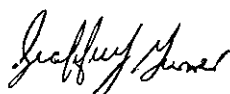
The company has programmes of action in place to manage the impact on its systems and services of EMU. The cost of future programmes is not expected to be significant.

FUTURE DEVELOPMENTS

The Group intends to concentrate on its core business areas and future acquisitions will be on an opportunistic basis only. The developments in the generic risk safety methodologies and tools across many sectors, including aerospace, defence, environment, offshore oil and gas, health care, marine and rail transportation will continue and will be enhanced by R&D investment.

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

By order of the Board



G. Turner,
Secretary.

15 December 2000

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.

AUDITORS' REPORT

to the members of British Maritime Technology Limited

We have audited the accounts on pages 8 to 33.

Respective responsibilities of directors and auditors

As described on page 6, 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.

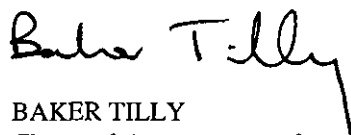
Basis of opinion

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 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 mis-statement, 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 2000 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

15 December 2000

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2000

	Notes	2000 £000	2000 £000	1999 £000
Turnover			45,149	44,520
Less: share of joint venture's turnover			(7,104)	(7,111)
GROUP TURNOVER	2		38,045	37,409
Costs less other income	3		(38,151)	(37,333)
Operating (Loss) / Profit	4		(106)	76
Share of operating profit in:				
Joint venture		398		243
Associates		29	427	132
TOTAL OPERATING PROFIT			321	451
Profit/(loss) on sale of undertakings	7		260	(238)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			581	213
Income from fixed asset investments			977	897
Interest receivable and similar income	8		140	428
Interest payable	9		(299)	(247)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND BMT PROFIT SHARING SCHEME			1,399	1,291
BMT profit sharing scheme			(750)	(600)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			649	691
Tax on profit on ordinary activities	10		149	(257)
RETAINED PROFIT FOR THE YEAR	22		798	434

On 29 September 2000, the Group sold its interest in the joint venture, which is therefore a discontinued activity.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 2000

	2000 £000	1999 £000
Retained profit for the year:		
Group	492	186
Share of joint venture	277	149
Share of associates	29	99
	<u>798</u>	<u>434</u>
Exchange (loss) on foreign currency hedging loan	(30)	(19)
Net exchange gain/(loss) on foreign equity investments	<u>138</u>	<u>(31)</u>
Total recognised gains and losses relating to the year	<u>906</u>	<u>384</u>

RECONCILIATION OF TOTAL FUNDS

	2000 £000	1999 £000
Profit for the year	798	434
Other recognised gains and losses in the period (net)	<u>108</u>	<u>(50)</u>
Total recognised gains	906	384
Goodwill on disposal of shares in joint venture	444	-
Goodwill adjustment on recalculation of deferred consideration	26	388
Net addition to funds	<u>1,376</u>	<u>772</u>
At 1 October 1999	<u>28,959</u>	<u>28,187</u>
At 30 September 2000	<u>30,335</u>	<u>28,959</u>



TOTAL PROFIT RECONCILIATION

	2000 £000	1999 £'000
Profit on ordinary activities for the year	1,911	1,914
Profit related bonuses in subsidiary companies	(512)	(623)
BMT profit sharing scheme	(750)	(600)
Taxation	149	(257)
	<u>798</u>	<u>434</u>
Retained Profit for the year	<u>798</u>	<u>434</u>

GROUP BALANCE SHEET
at 30 September 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Intangible assets	11	2,916	2,957
Tangible assets	12	6,962	7,370
Investments	13	17,519	15,854
Investments in joint venture:			
Share of gross assets		-	3,985
Share of gross liabilities		-	(3,636)
	13	-	349
Investments in associates	13	170	125
		<u>27,567</u>	<u>26,655</u>
CURRENT ASSETS			
Stocks and work in progress	14	3,365	3,419
Debtors:	15		
Amounts falling due within one year		10,416	8,507
Amounts falling due after one year		573	-
Investments		-	1,009
Cash at bank and in hand	16	3,426	3,568
		<u>17,780</u>	<u>16,503</u>
CREDITORS: amounts falling due within one year	17	<u>13,761</u>	<u>12,544</u>
NET CURRENT ASSETS		<u>4,019</u>	<u>3,959</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,586	30,614
CREDITORS: amounts falling due after more than one year	18	924	1,327
PROVISIONS FOR LIABILITIES AND CHARGES	20	53	47
ACCRUALS AND DEFERRED INCOME	21	274	281
		<u>30,335</u>	<u>28,959</u>
CAPITAL AND RESERVES			
Profit and loss account	22	30,335	28,959
TOTAL FUNDS		<u>30,335</u>	<u>28,959</u>

Approved by the Board on 15 December 2000

 D. Goodrich Director
 O. Roith CB Director

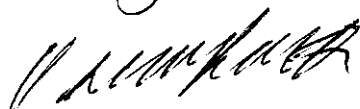
COMPANY BALANCE SHEET
at 30 September 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	12	5,892	6,045
Investments	13	<u>28,487</u>	<u>21,568</u>
		<u>34,379</u>	<u>27,613</u>
CURRENT ASSETS			
Debtors:	15		
Amounts falling due within one year		2,547	3,709
Amounts falling due after one year		561	110
Investments		-	1,009
Cash at bank and in hand		1,059	1,013
		<u>4,167</u>	<u>5,841</u>
CREDITORS: amounts falling due within one year	17	<u>4,318</u>	<u>3,395</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(151)</u>	<u>2,446</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,228	30,059
CREDITORS: amounts falling due after more than one year	18	902	938
ACCRUALS AND DEFERRED INCOME	21	<u>274</u>	<u>281</u>
		<u>33,052</u>	<u>28,840</u>
CAPITAL AND RESERVES			
Profit and loss account	22	33,052	28,840
TOTAL FUNDS		<u>33,052</u>	<u>28,840</u>

Approved by the Board on 15 December 2000



D. Goodrich Director



O. Roith CB Director

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 September 2000

	Notes	2000 £000	1999 £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Reconciliation to operating profit on page 13		<u>143</u>	<u>(141)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest and similar income received		115	316
Interest paid		(162)	(97)
Interest paid on finance leases		(26)	(24)
Fixed asset investment income received		<u>977</u>	<u>949</u>
		<u>904</u>	<u>1,144</u>
TAXATION			
Corporation tax paid/(repaid)		216	(216)
Overseas tax paid (net)		<u>-</u>	<u>(8)</u>
		<u>216</u>	<u>(224)</u>
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(395)	(509)
Transfer to managed fund		(1,669)	(156)
Receipt from sale of investment		-	80
Receipts from sales of tangible fixed assets		<u>36</u>	<u>63</u>
		<u>(2,028)</u>	<u>(522)</u>
ACQUISITIONS AND DISPOSALS			
Purchase of shares in subsidiary undertakings	13	(126)	(2,827)
Cash acquired with subsidiary undertakings	13	24	428
Cash disposed with subsidiary undertaking		(21)	-
Overdraft acquired with subsidiary undertaking		-	(63)
Purchase of associated undertaking	13	-	(66)
Sale of associated undertaking /joint venture	7	<u>1,279</u>	<u>(85)</u>
		<u>1,156</u>	<u>(2,613)</u>
BMT PROFIT SHARING SCHEME PAYMENT		<u>(600)</u>	<u>(1,400)</u>
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(209)</u>	<u>(3,756)</u>
MANAGEMENT OF LIQUID RESOURCES			
Cash placed in treasury deposits		-	-
Movement in current asset investments		<u>1,009</u>	<u>-</u>
		<u>1,009</u>	<u>-</u>
FINANCING			
Repayments of capital element of finance lease rentals		(44)	(27)
New short term loan	19	<u>-</u>	<u>888</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>(44)</u>	<u>861</u>
INCREASE / (DECREASE) IN CASH	16	<u>756</u>	<u>(2,895)</u>

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 September 2000

	2000 £000	1999 £000
RECONCILIATION OF OPERATING (LOSS) / PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
Group operating (loss)/profit	(106)	76
Depreciation	806	860
Amortisation of design portfolio	60	35
Amortisation of goodwill	163	82
Amortisation of Government grants	(7)	(8)
Decrease/(increase) in stocks and work in progress	95	(59)
Decrease/(increase) in debtors	(2,498)	1,218
Decrease in amounts due from associates	46	1,418
Increase/(decrease) in creditors	1,461	(3,781)
Profit on sale of tangible fixed assets	-	14
Exchange differences	117	4
(Decrease)/increase in provisions for liabilities and charges	6	(154)
Dividend received from associate	-	154
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	143	(141)

	2000 £000	1999 £000
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN FUNDS		
Increase/(decrease) in cash	756	(2,895)
Translation differences	(23)	(38)
Cash inflow from increase in loans	-	(888)
Cash inflow from liquid investments	(1,009)	-
New finance leases	-	(55)
Repayments of capital element of finance lease rentals	44	27
	(255)	(3,849)
Net funds at 30 September 1999	748	4,597
Net funds at 30 September 2000	493	748

	2000 £000	1999 £000
ANALYSIS OF NET FUNDS		
Net cash at bank and in hand	2,109	1,376
Current asset liquid investments	-	1,009
Bank loans	(1,519)	(1,496)
Finance leases	(97)	(141)
	493	748

NOTES TO THE ACCOUNTS
at 30 September 2000

1. PRINCIPAL ACCOUNTING POLICIES

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 last year 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 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. It is proposed that the Group will continue to adopt this format.

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 2000. 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.

As provided 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 twenty years reflecting the directors' estimate of the useful economic life of each acquisition. The marine design portfolio is amortised on a straight line basis over twenty years. The accounting treatment of goodwill previously written off to reserves prior to this date has not been changed.

Joint ventures

The Group's share of the post-acquisition results of its joint venture 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 as it is incurred.

NOTES TO THE ACCOUNTS
at 30 September 2000

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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. 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.

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 or disposal.

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 costs (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.

NOTES TO THE ACCOUNTS
at 30 September 2000

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

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

Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method to the extent that it is probable that a liability will crystallise.

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.

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.

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.

NOTES TO THE ACCOUNTS
at 30 September 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Pension costs

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

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 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, design support and risk management. The main market areas are defence, environment, offshore oil and gas and transportation.

An analysis of turnover by geographical market is given below:

	2000 £000	1999 £000
UK	23,407	25,638
USA	9,258	6,491
Other European Union	2,749	2,026
Rest of the world	<u>2,631</u>	<u>3,254</u>
	<u>38,045</u>	<u>37,409</u>

3. COSTS LESS OTHER INCOME

	2000 £000	1999 £000
Changes in stocks and work in progress	95	106
Other operating income	(667)	(298)
Raw materials and consumables	4,704	4,366
Other external charges	6,535	7,626
Staff costs (note 6)	20,497	18,888
Depreciation and amortisation	1,029	977
Other operating charges	<u>5,958</u>	<u>5,668</u>
	<u>38,151</u>	<u>37,333</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

4. OPERATING PROFIT

This is stated after charging/(crediting):

	2000 £000	1999 £000
Group:		
Auditors' remuneration:		
- audit	108	94
- other services	71	69
Operating lease rentals receivable:		
- buildings	(14)	(31)
Operating lease rentals payable:		
- other equipment	184	229
- buildings	577	626
Exchange (profit)/loss on foreign currency borrowings less deposits	56	(113)
Amortisation of Government grants	(7)	(8)
Depreciation on owned assets	768	836
Depreciation on assets held under finance leases	38	24
Loss on disposal of tangible fixed assets	-	14
Amortisation of intangible fixed assets	223	117
	<u>223</u>	<u>117</u>
Company:		
Auditors' remuneration:		
- audit services	35	32
- non-audit services	48	50
	<u>48</u>	<u>50</u>

5. DIRECTORS' REMUNERATION

	2000 £000	1999 £000
Emoluments (including pension contributions)	<u>593</u>	<u>521</u>
Highest paid director:	2000 £000	1999 £000
Aggregate emoluments	255	256
Defined benefit pension scheme:		
Accrued pension at end of year	<u>150</u>	<u>133</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

6. STAFF COSTS

	2000 £000	1999 £000
Salaries	17,856	16,629
Social security costs	1,628	1,500
Pension and post retirement costs	<u>1,013</u>	<u>759</u>
	20,497	18,888
BMT profit sharing scheme:		
Wages and salaries	684	545
Social security costs	<u>66</u>	<u>55</u>
	<u>21,247</u>	<u>19,488</u>

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

	2000 No.	1999 No.
Scientific and technical	527	516
Administrative and support	<u>117</u>	<u>111</u>
	<u>644</u>	<u>627</u>

7. PROFIT/(LOSS) ON SALE OF UNDERTAKINGS

An analysis of the profit/(loss) on disposal of undertakings is shown below:

	2000 £000	1999 £000
Pacific Rim joint venture	209	-
BBMT (Thailand) Ltd	51	-
BMT Skipskonsulent Forvarsjenester	<u>-</u>	<u>(238)</u>
Profit on disposal	<u>260</u>	<u>(238)</u>

On disposal of the Pacific Rim joint venture goodwill totalling £444,000, which had previously been written off to reserves, was reinstated and transferred to the profit and loss account during the year and is included in the above figures.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £000	1999 £000
Group	115	372
Share of joint venture	<u>25</u>	<u>56</u>
	<u>140</u>	<u>428</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

9. INTEREST PAYABLE

	2000 £000	1999 £000
Bank loans, overdrafts and other loans	162	97
On finance leases	26	24
Group	188	121
Share of joint venture	111	126
	<u>299</u>	<u>247</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxable (credit)/charge based on the results for the year is made up as follows:

	2000 £000	1999 £000
UK Corporation tax at 20% - current year	-	193
- prior year	(224)	-
Corporate tax on overseas subsidiaries	40	7
Group share of corporate tax on overseas joint venture	35	24
Group share of corporate tax on overseas associates	-	33
	<u>(149)</u>	<u>257</u>

The tax credit for the year arises due to the availability of UK corporation tax losses to offset any profits arising.

11. INTANGIBLE FIXED ASSETS

	Goodwill £000	Marine design portfolio £000	Total £000
Cost:			
At 1 October 1999	1,874	1,200	3,074
Additions	182	-	182
At 30 September 2000	<u>2,056</u>	<u>1,200</u>	<u>3,256</u>
Amortisation:			
At 1 October 1999	82	35	117
Provided during the year	163	60	223
At 30 September 2000	<u>245</u>	<u>95</u>	<u>340</u>
Net book value at 30 September 2000	<u>1,811</u>	<u>1,105</u>	<u>2,916</u>
Net book value at 30 September 1999	<u>1,792</u>	<u>1,165</u>	<u>2,957</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

12. TANGIBLE FIXED ASSETS
Group

	<i>Freehold land and buildings</i>	<i>Long leasehold buildings</i>	<i>Leasehold buildings & improve- ments less than 20 years</i>	<i>Test facilities</i>	<i>Motor vehicles</i>	<i>Computers and instruments</i>	<i>Other equipment</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
1.10.99	5,726	1,433	337	94	334	3,252	1,705	12,881
Additions	-	-	7	6	51	243	88	395
Disposals	-	-	(21)	-	(126)	(137)	(50)	(334)
Exchange fluctuations	-	-	-	-	-	6	-	6
Acquisitions	-	-	7	-	-	32	59	98
At 30.9.00	<u>5,726</u>	<u>1,433</u>	<u>330</u>	<u>100</u>	<u>259</u>	<u>3,396</u>	<u>1,802</u>	<u>13,046</u>
Depreciation:								
1.10.99	1,071	243	207	89	190	2,426	1,285	5,511
Provided during year	80	29	28	2	65	444	158	806
Disposals	-	-	(21)	-	(99)	(132)	(46)	(298)
Exchange fluctuations	-	-	-	-	-	4	-	4
Acquisitions	-	-	7	-	-	18	36	61
At 30.9.00	<u>1,151</u>	<u>272</u>	<u>221</u>	<u>91</u>	<u>156</u>	<u>2,760</u>	<u>1,433</u>	<u>6,084</u>
Net book value								
At 30.9.00	<u>4,575</u>	<u>1,161</u>	<u>109</u>	<u>9</u>	<u>103</u>	<u>636</u>	<u>369</u>	<u>6,962</u>
At 30.9.99	<u>4,655</u>	<u>1,190</u>	<u>130</u>	<u>5</u>	<u>144</u>	<u>826</u>	<u>420</u>	<u>7,370</u>

The net book value of tangible fixed assets includes an amount of £491,000 (1999: £513,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS
at 30 September 2000

12. TANGIBLE FIXED ASSETS (Continued)
Company

	<i>Freehold land and buildings £000</i>	<i>Long leasehold buildings £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 or Valuation:							
1.10.99	5,726	1,433	131	134	179	441	8,044
Additions	-	-	-	34	1	4	39
Disposals	-	-	-	(84)	-	-	(84)
At 30.9.00	<u>5,726</u>	<u>1,433</u>	<u>131</u>	<u>84</u>	<u>180</u>	<u>445</u>	<u>7,999</u>
Depreciation:							
1.10.99	1,071	243	72	81	172	360	1,999
Provided							
During year	80	29	9	29	5	21	173
Disposals	-	-	-	(65)	-	-	(65)
At 30.9.00	<u>1,151</u>	<u>272</u>	<u>81</u>	<u>45</u>	<u>177</u>	<u>381</u>	<u>2,107</u>
Net book value:							
At 30.9.00	<u>4,575</u>	<u>1,161</u>	<u>50</u>	<u>39</u>	<u>3</u>	<u>64</u>	<u>5,892</u>
At 30.9.99	<u>4,655</u>	<u>1,190</u>	<u>59</u>	<u>53</u>	<u>7</u>	<u>81</u>	<u>6,045</u>

The net book value of tangible fixed assets includes an amount of £419,000 (1999: £443,000) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS
at 30 September 2000

13. 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 1999	14,746	254	982	125	732	16,839
Additions	1,595	-	58	4	-	1,657
Share of profit	-	-	-	41	277	318
Disposals	-	(4)	-	-	(1,009)	(1,013)
At 30 September 2000	<u>16,341</u>	<u>250</u>	<u>1,040</u>	<u>170</u>	<u>-</u>	<u>17,801</u>
Provisions:						
At 1 October 1999	89	39	-	-	383	511
Charge for year	-	-	-	-	-	-
Disposals	(16)	-	-	-	(383)	(399)
At 30 September 2000	<u>73</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>
Net book value						
At 30 September 2000	<u>16,268</u>	<u>211</u>	<u>1,040</u>	<u>170</u>	<u>-</u>	<u>17,689</u>
At 30 September 1999	<u>14,657</u>	<u>215</u>	<u>982</u>	<u>125</u>	<u>349</u>	<u>16,328</u>

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

The managed fund, unlisted investments and bank deposit make up the £17,519,000 shown as investments in the Group balance sheet.

NOTES TO THE ACCOUNTS
at 30 September 2000

13. FIXED ASSET INVESTMENTS (Continued)
Company

	Managed fund £000	Unlisted investments £000	Bank deposit £000	Subsidiary undertakings £000	Joint ventures £000	Associates £000	Total £000
Cost:							
At 1 October 1999	14,746	249	982	9,478	237	125	25,817
Additions	1,595	-	58	5,299	-	4	6,956
Disposals	-	-	-	(371)	(237)	-	(608)
At 30 September 2000	<u>16,341</u>	<u>249</u>	<u>1,040</u>	<u>14,406</u>	<u>-</u>	<u>129</u>	<u>32,165</u>
Provisions:							
At 1 October 1999	89	39	-	3,965	156	-	4,249
Charge for year	-	-	-	-	-	-	-
Disposals	(16)	-	-	(399)	(156)	-	(571)
At 30 September 2000	<u>73</u>	<u>39</u>	<u>-</u>	<u>3,566</u>	<u>-</u>	<u>-</u>	<u>3,678</u>
Net book value:							
At 30 September 2000	<u>16,268</u>	<u>210</u>	<u>1,040</u>	<u>10,840</u>	<u>-</u>	<u>129</u>	<u>28,487</u>
At 30 September 1999	<u>14,657</u>	<u>210</u>	<u>982</u>	<u>5,513</u>	<u>81</u>	<u>125</u>	<u>21,568</u>

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

NOTES TO THE ACCOUNTS
at 30 September 2000

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
Name of company				
BMT Asia Pacific Limited	Hong Kong	Ordinary shares	100%	Environmental 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 Defence Services SA (Pty) Limited	South Africa	Ordinary shares	100%*	Services to the defence industry
BMT Fluid Mechanics Limited	England and Wales	Ordinary shares	100%	Fluid and structural mechanics consultancy
BMT Group Limited	England and Wales	Ordinary shares	100%	Internal group management
BMT Marine Information Systems Limited	England and Wales	Ordinary shares	100%	Research and development of technology in environmental and marine services
BMT Marine Procurement Limited	England and Wales	Ordinary shares	100%	Procurement and contract management services for the marine industry
BMT Maritime Consultants Sp zoo	Poland	Ordinary shares	100%	Port and coastal management services
BMT Murray Fenton Limited	England and Wales	Ordinary shares	100%	Maritime litigation consultancy services

NOTES TO THE ACCOUNTS
at 30 September 2000

13. FIXED ASSET INVESTMENTS (Continued)

Subsidiary undertakings Name of company	Country of registration (or incorporation) (continued)	Holding	Proportion held	Nature of business
BMT Reliability Consultants Limited	England and Wales	Ordinary shares	100%	Reliability life cycle costing and safety services
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 for commercial shipping
Cordah Limited	Scotland	Ordinary shares	100%	Environmental engineering
Designers & Planners Inc	USA	Common stock	100%*	Ship engineering and environmental services
GVA Consultants AB	Sweden	Ordinary shares	100%	Floating structures design house
Scientific Marine Services Inc.	USA	Common stock	100%*	Marine and offshore consultancy
<i>Associated undertakings</i>				
Name of company				
Fleet Technology Limited	Canada	Ordinary shares	30%	Services to the cold regions and defence industry

*held by subsidiary undertaking.

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

NOTES TO THE ACCOUNTS
at 30 September 2000

13. FIXED ASSET INVESTMENTS (Continued)

Investments Name of company	Country of registration (or incorporation)	Holding	Proportion held	Nature of business
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 29 September 2000, the Company acquired BMT Asia Pacific Limited and its subsidiary, BMT Asia Environment Limited, for a consideration of £126,000.

Goodwill on the acquisition has been capitalised and is being amortised over the directors' estimate of its useful economic life of 10 years.

Analysis of the acquisition of the BMT Asia Pacific group:

	Book & fair value
	£000
Fixed assets	37
Work in progress	53
Loan	3
Debtors	234
Cash	24
Creditors due within one year	(407)
Net Liabilities	(56)
Goodwill arising on acquisition	182
	<u>126</u>
Discharged by:	
Initial cash consideration	106
Costs associated with the acquisition	20
	<u>126</u>

The directors are currently disputing under the warranties provided the amount of consideration involved in this acquisition and are confident that the dispute will be resolved satisfactorily.

NOTES TO THE ACCOUNTS
at 30 September 2000

13. FIXED ASSET INVESTMENTS (Continued)

(b) On 1 April 1998, the company purchased Scientific Marine Services Inc. Based upon the forecast performance up to March 2001, the estimate of deferred consideration has been reduced from £311,000 to £285,000. Goodwill has accordingly been reduced from £957,000 to £931,000 and an adjustment has been made to reserves, in accordance with the initial accounting treatment.

14. STOCKS AND WORK IN PROGRESS
Group

	2000 £000	1999 £000
Work in progress	<u>3,365</u>	<u>3,419</u>

15. DEBTORS

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Amounts falling due within one year:				
Trade debtors	8,063	6,902	487	7
Amounts owed by subsidiary undertakings	-	-	712	2,697
Amounts owed by associated undertakings	-	110	-	35
Other debtors	988	292	1,106	588
Prepayments and accrued income	670	1,203	242	382
Amounts recoverable on contracts	<u>695</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,416</u>	<u>8,507</u>	<u>2,547</u>	<u>3,709</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	331	110
Prepayments & accrued income	230	-	230	-
Other debtors	<u>343</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>573</u>	<u>-</u>	<u>561</u>	<u>110</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

16. CASH

Group

	2000 £000	2000 Change In year £000	1999 £000	1999 Change in year £000	1998 £000
Analysis of balances:					
Cash at bank and in hand	3,426	(142)	3,568	(1,876)	5,444
Bank overdrafts	<u>(1,317)</u>	<u>875</u>	<u>(2,192)</u>	<u>(1,038)</u>	<u>(1,154)</u>
At 30 September 2000	<u>2,109</u>	<u>733</u>	<u>1,376</u>	<u>(2,914)</u>	<u>4,290</u>

Group

	2000 £000	1999 £000
Changes during the year:		
At 1 October 1999	1,376	4,290
Net cash inflow/(outflow), before adjustments for the effects of foreign exchange rates	756	(2,895)
Effects of foreign exchange rates	<u>(23)</u>	<u>(19)</u>
At 30 September 2000	<u>2,109</u>	<u>1,376</u>

17. CREDITORS: Amounts falling due within one year

	Notes	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
Bank overdraft	28	1,317	2,192	-	-
Short term bank loan	19	1,519	1,496	1,519	1,496
Obligations under finance leases	15	39	-	-	10
Income in advance of work in progress		1,958	931	852	291
Trade creditors		3,091	2,235	48	31
Amounts owed to subsidiary undertakings		-	-	595	452
Amounts owed to associated undertakings		-	243	-	-
Corporation tax		69	194	69	69
Other taxation and social security		965	1,057	-	-
Other creditors and accruals		1,221	419	427	295
BMT profit sharing scheme		750	600	95	169
Accrued charges and deferred income		<u>2,856</u>	<u>3,138</u>	<u>713</u>	<u>582</u>
		<u>13,761</u>	<u>12,544</u>	<u>4,318</u>	<u>3,395</u>

NOTES TO THE ACCOUNTS

at 30 September 2000

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

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Obligations under finance leases	82	102	60	59
Other taxation and social security	-	13	-	-
Other creditors	<u>842</u>	<u>1,212</u>	<u>842</u>	<u>879</u>
	<u>924</u>	<u>1,327</u>	<u>902</u>	<u>938</u>

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

	2000 £000	1999 £000
In one year or less	15	39
Between one and five years	82	82
Over five years	<u>-</u>	<u>20</u>
	<u>97</u>	<u>141</u>

19. LOANS

	Notes	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
Repayable within one year	17	<u>1,519</u>	<u>1,496</u>	<u>1,519</u>	<u>1,496</u>

Analysis of changes in group loan financing during the year:

	2000 £000	1999 £000
At 1 October 1999	1,496	589
New loans	-	888
Exchange fluctuation	<u>23</u>	<u>19</u>
At 30 September 2000	<u>1,519</u>	<u>1,496</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

20. PROVISIONS FOR LIABILITIES AND CHARGES**Group**

	2000 £000	1999 £000
At 1 October 1999	47	201
Charge for the year	80	85
Adjustment to provision	-	(65)
Reclassified to creditors	-	(24)
Utilised in year	<u>(74)</u>	<u>(150)</u>
At 30 September 2000	<u>53</u>	<u>47</u>

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

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

Total
£000

At 1 October 1999	281
Amounts released to profit and loss account	<u>(7)</u>
At 30 September 2000	<u>274</u>

22. RESERVES**Group**

Profit and
loss reserve
£000

At 1 October 1999	28,959
Exchange loss on foreign currency hedging loan	(30)
Exchange gain on foreign equity investment	138
Goodwill adjustment on recalculation of deferred consideration	26
Goodwill transferred to profit and loss account on disposal of undertaking	444
Retained profit for the year	<u>798</u>
At 30 September 2000	<u>30,335</u>

There remains an accumulated amount of goodwill written off directly to reserves on or before 30th September 1998, of £2,888,000 (1999: £3,358,000).

Company

At 1 October 1999	28,840
Retained profit for the year	<u>4,212</u>
At 30 September 2000	<u>33,052</u>

NOTES TO THE ACCOUNTS

at 30 September 2000

23. SHARE CAPITAL

The company is limited by guarantee without share capital.

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 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. 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.

25. LEASING COMMITMENTS

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

	Land and Buildings		Other	
	2000 £000	1999 £000	2000 £000	1999 £000
Group				
Operating leases which expire:				
Within one year	87	162	58	40
In the second to fifth years inclusive	97	67	158	189
Over five years	<u>250</u>	<u>158</u>	<u>-</u>	<u>-</u>
Company				
Operating leases which expire:				
Within one year	9	9	9	9
In the second to fifth years inclusive	48	48	10	9
Over five years	<u>158</u>	<u>158</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
at 30 September 2000

26. PENSION COMMITMENTS

Defined benefit schemes

A significant number of employees contribute to the British Maritime Technology Pension and Life Assurance Scheme (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 triennial valuation received was conducted as at 6 April 1998. The main assumptions were that the rate of return on investments would be 9% and would exceed salary increases by 2½%. This latest valuation showed that the actuarial value of the BMT scheme's assets amounted to £17,661,000 and was sufficient to cover 117% of the scheme's 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 £561,000 (1999: £364,000) after deducting interest arising on the surplus and deducting a prior year adjustment to the net charge for 1999 as a result of the latest valuation.

A pension prepayment of £230,000 (1999: accrual of £139,000) is included in prepayments and accrued income.

Defined contribution schemes

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

27. 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 2000 was £890,000. The guarantee is unsecured.

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 Babbie BMT Harris & Sutherland Limited of £129,000 (1999: £93,000) and sales of £22,000 (1999: £15,000) to Babbie BMT Harris & Sutherland (Pte) Ltd..

The Company has provided a deed of charge to Barclays Bank plc in respect of a guarantee given in favour of Babbie BMT Harris & Sutherland (Hong Kong) Limited for the sum of HK\$23,600,000 (£1,844,845). This was cancelled in its entirety on 30 October 2000 as part of the sale agreement of the Far East joint venture.

29. DIRECTORS' INTERESTS

During the year, two main board directors bought their cars from the company at book value.