

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**Report and Financial Statements**

**Period ended 30 June 1998**



**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**REPORT AND FINANCIAL STATEMENTS 1998**

| <b>CONTENTS</b>  | <b>Page</b>  |
|--|--------------|
| <b>Officers and professional advisers</b>                    | <b>1</b>     |
| <b>Directors' report</b>                                     | <b>2</b>     |
| <b>Statement of directors' responsibilities</b>              | <b>5</b>     |
| <b>Auditors' report</b>                                      | <b>6</b>     |
| <b>Consolidated profit and loss account</b>                  | <b>7</b>     |
| <b><i>Statement of total recognised gains and losses</i></b> | <b>8</b>     |
| <b>Reconciliation of movements in shareholders' funds</b>    | <b>8</b>     |
| <b>Balance sheets</b>  | <b>9</b>     |
| <b>Consolidated cash flow statement</b>                      | <b>10</b>    |
| <b>Notes to the accounts</b>                                 | <b>11-26</b> |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

|                    |   |
|--------------------|---|
| J Cohen (Chairman) | (appointed 12 June 1996, resigned 18 August 1998)     |
| R Britten-Long     | (appointed 26 June 1996, resigned 18 August 1998)     |
| C Burrows          | (appointed 30 January 1997, resigned 15 June 1998)    |
| P Conroy           | (appointed 27 February 1997, resigned 18 August 1998) |
| R Keegan           | (appointed 26 June 1996, resigned 18 August 1998)     |
| R Kelvin Hughes    | (appointed 26 June 1996, resigned 18 August 1998)     |
| R Mole             | (appointed 26 June 1996, resigned 18 August 1998)     |
| P Radcliffe        | (appointed 10 February 1997, resigned 18 August 1998) |
| D Reed             | (appointed 26 June 1996, resigned 18 August 1998)     |
| T Sooke            | (appointed 4 July 1996, resigned 18 August 1998)      |
| F O'Hara           | (appointed 6 November 1997, resigned 18 August 1998)  |
| M Gubb             | (appointed 25 February 1998, resigned 18 August 1998) |
| E Mansfield        | (appointed 26 June 1996, resigned 6 November 1997)    |
| R Walters          | (appointed 26 June 1996, resigned 6 November 1997)    |
| D Gillett          | (appointed 10 October 1996, resigned 29 August 1997)  |
| V Murtagh          | (appointed 15 June 1998, resigned 18 August 1998)     |
| M Lee              | (appointed 15 June 1998, resigned 18 August 1998)     |
| K Russell          | (appointed 18 August 1998)                            |
| R Proctor          | (appointed 18 August 1998)                            |

**SECRETARY**

K Russell

**REGISTERED OFFICE**

329 Harwell  
Didcot  
Oxfordshire OX11 0RA

**BANKERS**

Midland Bank plc  
89 Buckingham Palace Road  
London SW1W 0QL

**SOLICITORS**

Eversheds  
Cloth Hall Court  
Infirmary Street  
Leeds LS1 2JB

**AUDITORS**

PricewaterhouseCoopers  
1 Embankment Place  
London WC2N 6NN

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 1998.

### **ACTIVITIES**

The principal activity of the group is the provision of consulting services to the rail industry.

### **REVIEW OF DEVELOPMENTS**

On 18 August 1998 the company was acquired by AEA Technology plc. Both companies share a similar customer base and the complimentary nature of their activities has resulted in customers being offered a wider range of products and services. The acquisition is creating a new product stream of business decision and support tools and packaged software. *In specialist areas, such as signalling, the depth of resource has been significantly enhanced.*

These developments have placed the merged business in a strong position to take advantage of the increasing opportunities in the UK and overseas rail markets arising from both privatisation and environmental concern.

On 1 April 1999 the trade and assets of the company were hived up to its parent company, AEA Technology plc.

### **RESULTS AND DIVIDENDS**

The loss after tax and minority interests for the year amounted to £4,713,000. Preference share dividends of £72,000 have been paid during the period, and preference share dividends of £24,000 were paid on 1 July 1998.

When the decision to pay the preference dividends was taken by the then directors of the company, they had satisfied themselves that they had taken reasonable steps to ensure that there were sufficient distributable reserves to make such a distribution. However, it later became apparent that significant losses had arisen on two major contracts which, until then, had been thought to have been profitable. This had the effect of eliminating all distributable reserves. However, creditors have not been disadvantaged following the hive up of the Group's assets into AEA Technology plc on 1 April 1999 (see Note 24 Post Balance Sheet Event).

No further dividends have been paid.

### **YEAR 2000 COMPLIANCE**

The Group is undertaking a project to assess the risks and uncertainties associated with the Year 2000 problem. This project is making steady progress in ensuring that the business is completely Year 2000 compliant by the parent company's target date of 30 September 1999.

The project encompasses assessing both systems used within the business and products sold in the past and the future. Where a risk is identified it is the company's plan to replace or modify to ensure compliance. The project also includes identifying major customers and suppliers with a view to discussing their own millennium compliance activities to ensure there is no major risk to the Group's business in the event of non-conformity.

The total estimated costs of the project, over and above those incurred in the normal course of business, are considered to be immaterial. Such costs are disclosed within the accounts of the parent company.

Based on the information available, the directors have no reason to believe that Year 2000 issues will be material to the company's operations and financial position.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**DIRECTORS' REPORT**

**DIRECTORS AND THEIR INTERESTS**

The interests of the directors holding office at the end of the year in the ordinary shares and the 10% cumulative redeemable preference shares of the company are given below:

|                 | Ordinary shares of<br>10 pence each |                                  | 10% cumulative redeemable<br>preference shares of<br>10 pence each |                                  |
|-----------------|-------------------------------------|----------------------------------|--|----------------------------------|
|                 | At 30 June<br>1998<br>No.           | At date of<br>appointment<br>No. | At 30 June<br>1998<br>No.  | At date of<br>appointment<br>No. |
| J Cohen         | 500,000                             | -                                | -  | -                                |
| R Britten-Long  | 500,000                             | -                                | -  | -                                |
| C Burrows       | 52,174                              | 52,174                           | -  | -                                |
| P Conroy        | -                                   | -                                | -  | -                                |
| M Gubb          | -                                   | -                                | -  | -                                |
| R Keegan        | 313,054                             | 313,054                          | -  | -                                |
| R Kelvin-Hughes | 500,000                             | -                                | -  | -                                |
| E Mansfield     | 52,174                              | 52,174                           | -  | -                                |
| R Mole          | 52,174                              | 52,174                           | -  | -                                |
| F O'Hara        | -                                   | -                                | -  | -                                |
| P Radcliffe     | 62,598                              | -                                | -  | -                                |
| D Reed          | 500,000                             | 500,000                          | -  | -                                |
| T Sooke         | -                                   | -                                | -  | -                                |
| R Walters       | 208,695                             | 208,695                          | -  | -                                |

Messrs. Gubb and O'Hara held a minority shareholding in TCI Signalling Limited until 18 August 1999.

On 18 August 1999 Mr. Keegan received salary entitlement up to 18 August, a payment of £56,192 into his pension scheme and acquired the entire issued share capital of Transaction Limited and Rail Estate Limited for a total consideration of £12 as compensation for loss of office.

No other directors had any interests in the shares of any of the company's subsidiaries at any time during the period.

On 30 June 1999 AEA Technology plc and Transportation Consultants International Ltd signed a Deed of Waiver in respect of the 956,521 10% cumulative preference shares. Pursuant to clause 7.2 of the Articles of Association the shares are redeemable in two equal instalments of £318,840 and one final instalment of £318,841.70 on 30 June each year commencing on 30 June 1999. Pursuant to clause 7.3 of the Articles the shares would have been redeemable upon a sale to AEA Technology plc. As a consequence of AEAT becoming the sole shareholder of the company from 18 August 1998 it was agreed that the provisions of clauses 7.2 and 7.3 would be waived and that the company would not have to redeem the shares.

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**DIRECTORS' REPORT**

**AUDITORS**

Messrs. Deloitte & Touche resigned as auditors on 18 August 1999, and Messrs. PricewaterhouseCoopers were appointed.

Approved by the Board of Directors  
and signed on behalf of the Board



R Proctor  
Director

27 July 1999

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**Auditors' report to the members of Transportation Consultants International Limited**

We have audited the financial statements on pages 7 to 26 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report including, as described on page 5, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Report and Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

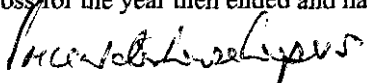
**Basis of audit opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

27 July 1999



**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**Period ended 30 June 1998**

|   | Note | Year ended<br>30 June<br>1998<br>£'000 | Period from<br>3 June 1996<br>to 30 June<br>1997<br>£'000 |
|---|------|--|---|
| <b>TURNOVER</b>   | 2    | 13,241                                 | 11,550  |
| Cost of sales   |      | (12,308)                               | (7,354)   |
| Gross profit  |      | 933                                    | 4,196   |
| Administrative expenses - exceptional item                      | 3    | -                                      | (412)   |
| Administrative expenses - other                                 |      | (5,032)                                | (3,465)   |
| Total administrative expenses                                   |      | (5,032)                                | (3,877)   |
| <b>OPERATING (LOSS)/PROFIT</b>                                  | 5    | (4,099)                                | 319   |
| Interest receivable and similar income                          |      | -                                      | 6   |
| Interest payable and similar charges                            | 6    | (461)                                  | (139)   |
| <b>(LOSS)/PROFIT ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> |      | (4,560)                                | 186   |
| Tax on profit on ordinary activities                            | 7    | -                                      | (56)  |
| <b>(LOSS)/PROFIT ON ORDINARY<br/>ACTIVITIES AFTER TAXATION</b>  |      | (4,560)                                | 130   |
| Minority interests (equity)                                     |      | -                                      | (4)   |
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>                     |      | (4,560)                                | 126   |
| Non-equity dividends  | 8    | (96)                                   | (97)  |
| Other finance charges in respect of non-equity<br>dividends     | 8    | (57)                                   | (72)  |
| <b>Retained loss carried forward</b>                            |      | (4,713)                                | (43)  |

All activities derive from continuing operations.

As permitted by Section 230 of the Companies Act 1985 the parent company's profit and loss account has not been included in these financial statements. Its loss for the financial year amounted to £1,039,000.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 June 1998**

There are no recognised gains and losses other than the profit for the period

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 30 June 1998**

|   | Year ended<br>30 June<br>1998<br><br>£'000 | Period from<br>3 June 1996 to<br>30 June 1997<br><br>£'000 |
|---|--|--|
| (Loss)/profit for the financial period attributable to shareholders | ( 4,560)                                   | 126  |
| Non equity dividends paid and proposed                              | (96)                                       | (97)   |
| Other finance charges in respect of non-equity dividends            | (57)                                       | (72)   |
|   | <hr/>                                      | <hr/>  |
| Retained loss for the financial period                              | (4,713)                                    | (43)   |
| <br>New shares subscribed   | <br>-                                      | <br>1,400  |
| Capital reserve   | (433)                                      | 3,277  |
| Goodwill written off  | -  | (2,031)  |
| Movement in reserve for redemption of non-equity<br>dividends       | <br>57                                     | <br>72   |
|   | <hr/>                                      | <hr/>  |
| Net movement in shareholders' funds                                 | (5,089)                                    | 2,675  |
| Opening shareholders' funds   | 2,675                                      | -  |
|   | <hr/>                                      | <hr/>  |
| Closing shareholders' funds   | (2,414)                                    | 2,675  |
|   | <hr/> <hr/>                                | <hr/> <hr/>  |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**BALANCE SHEETS**  
**30 June 1998**

|  | Note | Group<br>1998<br>£'000 | Company<br>1998<br>£'000 | Group<br>1997<br>£'000 | Company<br>1997<br>£'000 |
|--|------|------------------------|--------------------------|------------------------|--------------------------|
| <b>FIXED ASSETS</b>  |      |                        |                          |                        |                          |
| Tangible assets  | 9    | 218                    | 57                       | 242                    | 45                       |
| Investments  | 10   | -                      | 3,290                    | -                      | 3,290                    |
|  |      | <u>218</u>             | <u>3,347</u>             | <u>242</u>             | <u>3,335</u>             |
| <b>CURRENT ASSETS</b>  |      |                        |                          |                        |                          |
| Debtors  | 11   | 6,590                  | 5,267                    | 6,931                  | 6,010                    |
| Cash at bank and in hand                                       |      | 258                    | 0                        | 379                    | 213                      |
|  |      | <u>6,848</u>           | <u>5,267</u>             | <u>7,310</u>           | <u>6,223</u>             |
| <b>CREDITORS: amounts falling due within one year</b>          | 12   | <u>(9,446)</u>         | <u>(5,570)</u>           | <u>(3,016)</u>         | <u>(2,174)</u>           |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>(2,598)</u>         | <u>(303)</u>             | <u>4,294</u>           | <u>4,049</u>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      |                        |                          |                        |                          |
|  |      | (2,380)                | 3,044                    | 4,536                  | 7,384                    |
| <b>CREDITORS: amounts falling due after more than one year</b> |      |                        |                          |                        |                          |
| Bank loans and overdrafts                                      | 13   | -                      | -                        | (1,792)                | (1,792)                  |
| Obligations under finance leases                               | 19   | (30)                   | (2)                      | (65)                   | -                        |
| Amount owed to subsidiary undertakings                         |      | -                      | -                        | -                      | (1,135)                  |
| <b>MINORITY INTERESTS (all equity)</b>                         |      | <u>(4)</u>             | <u>-</u>                 | <u>(4)</u>             | <u>-</u>                 |
|  |      | <u>(2,414)</u>         | <u>3,042</u>             | <u>2,675</u>           | <u>4,457</u>             |
| <b>CAPITAL AND RESERVES</b>                                    |      |                        |                          |                        |                          |
| Called up share capital  | 15   | 443                    | 443                      | 443                    | 443                      |
| Share premium  | 16   | 957                    | 957                      | 957                    | 957                      |
| Capital reserve  | 16   | 813                    | 2,514                    | 1,246                  | 2,947                    |
| Reserve for redemption of non-equity shares                    | 16   | 129                    | 129                      | 72                     | 72                       |
| Profit and loss account  | 16   | <u>(4,756)</u>         | <u>(1,001)</u>           | <u>(43)</u>            | <u>38</u>                |
| <b>SHAREHOLDERS' FUNDS</b>                                     |      | <u>(2,414)</u>         | <u>3,042</u>             | <u>2,675</u>           | <u>4,457</u>             |
| <b>Attributable to equity shareholders</b>                     |      | <u>(3,500)</u>         | <u>1,956</u>             | <u>1,646</u>           | <u>3,428</u>             |
| <b>Attributable to non-equity shareholders</b>                 |      | <u>1,086</u>           | <u>1,086</u>             | <u>1,029</u>           | <u>1,029</u>             |
|  |      | <u>(2,414)</u>         | <u>3,042</u>             | <u>2,675</u>           | <u>4,457</u>             |

These financial statements were approved by the Board of Directors on 27 July 1999.

Signed on behalf of the Board of Directors

R Proctor  
Director



**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 1998**

|  | Note   | Year ended<br>30 June<br>1998<br><br>£'000 | Period from 3 June 1996<br>to 30 June 1997<br><br>£'000 |
|--|--------|--|---|
| <b>Net cash (outflow)/inflow from operating activities</b>                       | 17 (a) | (158)                                      | 29  |
| <b>Returns on investments and servicing of finance</b>                           |        |  |   |
| Interest received  |        | -  | 6   |
| Interest paid  |        | (354)                                      | (47)  |
| Non equity dividends paid  |        | (96)                                       | (73)  |
| <b>Net cash outflow from returns on investments<br/>and servicing of finance</b> |        | (450)                                      | (114)   |
| <b>Taxation</b>  |        |  |   |
| Corporation tax paid (including advance corporation tax)                         |        | (102)                                      | (18)  |
| <b>Capital expenditure and financial investment</b>                              |        |  |   |
| Payments to acquire tangible fixed assets  |        | (79)                                       | (99)  |
| <b>Net cash outflow from capital expenditure and<br/>financial investment</b>    |        | (79)                                       | (99)  |
| <b>Acquisitions</b>  | 17(b)  | -  | (3,167)   |
| <b>Net cash outflow before use of liquid resources and financing</b>             |        | (631)                                      | (3,369)   |
| <b>Financing</b>   |        |  |   |
| Issue of share capital   |        | -  | 1,400   |
| Issue of loans   |        | 500  | 2,150   |
| Repayment of Baltic loan   |        | (179)                                      | -   |
| Capital element of finance lease rental payments                                 |        | (43)                                       | (13)  |
| <b>Net cash inflow from financing</b>  |        | 278  | 3,537   |
| <b>Increase/(decrease) in cash in the period</b>                                 |        | (511)                                      | 168   |
| <b>Reconciliation of net cash inflow to movement in net debt</b>                 |        |  |   |
| Increase/(decrease) in cash in the period  |        | (511)                                      | 168   |
| Cash inflow from increase in debt  |        | (321)                                      | (2,150)   |
| Cash outflow from finance leases   |        | 43   | 13  |
| Finance leases acquired with subsidiary  |        | -  | (57)  |
| Inception of new finance leases  |        | (16)                                       | (63)  |
| <b>Movements in net debt in the period</b>                                       |        | (805)                                      | (2,089)   |
| Net debt brought forward   |        | (2,089)                                    | -   |
| <b>Net debt at 30 June 1998</b>  | 17(c)  | (2,894)                                    | (2,089)   |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Consolidation**

The group financial statements consolidate the financial statements of the company and all its subsidiaries. Capital reserve arising on consolidation is credited to a capital reserve account. Goodwill arising on consolidation is capitalised and amortised over its useful life.

**Redemption premium**

The redemption premium in respect of the cumulative redeemable preference shares is charged to the profit and loss account so as to spread the cost of the premium over the period to which it relates.

**Tangible fixed assets**

Depreciation is provided on cost in equal annual installments over the estimated useful lives of the assets. The rates of depreciation are as follows:

|                       |                               |
|-----------------------|-------------------------------|
| Computer equipment    | Between 15% and 33% per annum |
| Plant and machinery   | 25% per annum                 |
| Fixtures and fittings | Between 20% and 25% per annum |

**Investments**

Investments in the company's subsidiary undertakings are stated at cost less any provision for permanent diminution in value.

**Fair values in acquisition accounting**

The recognised assets and liabilities of acquired entities are measured at fair values that reflect the conditions at the date of the acquisition. When it is not been possible to complete the investigation for determining fair values by the date on which the first post-acquisition financial statements are approved, provisional valuations are made; these are amended, if necessary, in the next financial statements with a corresponding adjustment to goodwill.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

**Pension costs**

The expected cost of providing pensions under the defined benefit scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. The costs of providing pensions to members of the defined contribution scheme are charged to the profit and loss account as they are incurred.

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**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1998**

**Turnover**

Turnover comprises the value of work executed during the year and income arising from the settlement of claims from previous years. It is exclusive of value added tax.

**Long term contracts**

Long term contracts are accounted for in accordance with SSAP9 with turnover being recognised on a percentage complete basis when a profitable outcome can be ascertained with reasonable certainty. Losses are recognised in full as soon as they are anticipated. The amount by which recorded turnover is in excess of payments on account is included in debtors as amounts recoverable on contracts. Payments in excess of turnover and long term contract balances are recorded in creditors as payments received on account. The amount by which provisions or accruals for foreseeable losses exceed costs incurred after transfers to cost of sales is included within other creditors.

**2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. Turnover, all of which arises from the provision of consulting services, is derived from the following geographical locations:

|                   | Year ended<br>30 June<br>1998<br>£'000 | Period from<br>3 June 1996<br>to 30 June<br>1997<br>Turnover<br>£'000 |
|-------------------|--|---|
| United Kingdom    | 11,937                                 | 10,343  |
| EEC member states | 315                                    | -   |
| Far East          | 906                                    | 1,110   |
| North America     | 37                                     | 97  |
| Rest of world     | 46                                     | -   |
|                   | <u>13,241</u>                          | <u>11,550</u>   |

**3. EXCEPTIONAL ITEM**

The exceptional items in the period ending 30 June 1997 relate to redundancy costs of £315,000 following the company's acquisitions, and aborted acquisition costs of £97,000.

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**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

|  | Year ended<br>30 June<br>1998<br>£'000 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|--|--|---|
| Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes) | 706*                                   | 595   |
| * of this amount £40,000 was paid to third parties for making available the services of directors                        |  |   |
|  | No.                                    | No.   |
| Number of directors who:   |  |   |
| - are members of a defined benefit pension scheme  | 8                                      | 7   |
|  | £'000                                  | £'000   |
| Highest-paid directors' remuneration:  | 112                                    | 99  |

No share options were exercised and no shares were received by or were receivable by the highest paid director. The amount of the accrued pension of the highest-paid director at 31 March 1998 is £1,802 and a lump sum amount of £1,322.

|  | Year ended<br>30 June<br>1998<br>No. | Period from 3 June 1996<br>to 30 June 1997<br>No. |
|--|--------------------------------------|---|
| <b>Average number of persons employed</b>                  |                                      |   |
| Management, administration and operations                  | 206                                  | 242   |
|  |                                      | £'000   |
| <b>Staff costs during the period (including directors)</b> |                                      |   |
| Wages and salaries   | 6,248                                | 4,895   |
| Social security costs                                      | 543                                  | 423   |
| Pension costs  | 407                                  | 193   |
|  | 7,198                                | 5,511   |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**5. OPERATING PROFIT**

|  | Year ended<br>30 June<br>1998 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|--|-------------------------------|---|
|  | £'000                         |   |
| <b>Operating profit is after charging:</b> |                               |   |
| Depreciation and amortisation              |                               |   |
| Owned assets                               | 51                            | 21  |
| Leased assets                              | 44                            | 15  |
| Rentals under operating leases             |                               |   |
| Hire of plant and machinery                | 99                            | 67  |
| Other operating leases                     | 606                           | 320   |
| Auditors' remuneration                     |                               |   |
| Audit services                             | 35                            | 31  |
| Other services                             | 5                             | 5   |
|  | <u>          </u>             | <u>          </u>                                   |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|  | Year ended<br>30 June<br>1998 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|--|-------------------------------|---|
|  | £'000                         |   |
| Bank loans and overdrafts                  | 451                           | 134   |
| Finance leases and hire purchase contracts | 10                            | 5   |
|  | <u>          </u>             | <u>          </u>                                   |
|  | 461                           | 139   |
|  | <u>          </u>             | <u>          </u>                                   |

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|  | Year ended<br>30 June<br>1998<br>£'000 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|--|--|---|
| United Kingdom corporation tax at 31% (1997 – 33%) | -                                      | 56  |
|  | <u>          </u>                      | <u>          </u>                                   |

Tax losses in the group carried forward at 30 June 1998 are estimated to be £2,800,000 (1997, nil).



**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**8. DIVIDENDS**

|  | Year<br>ended 30<br>June<br>1998<br>£'000 | Period from<br>3 June 1996 to<br>30 June 1997<br>£'000 |
|--|---|--|
| <b>Non-equity dividends:</b>                                   |   |  |
| Cumulative redeemable preference dividend – paid               | 72  | 73   |
| Cumulative redeemable preference dividend - proposed           | 24  | 24   |
|  | <u>96</u>                                 | <u>97</u>  |
| <b>Other finance charges in respect of non-equity shares:</b>  |   |  |
| Cumulative redeemable preference dividend - redemption premium | <u>57</u>                                 | <u>72</u>  |

*Preference share dividends of £72,000 have been paid during the period, and preference share dividends of £24,000 were paid on 1 July 1998.*

When the decision to pay the preference dividends was taken by the then directors of the company, they had satisfied themselves that they had taken reasonable steps to ensure that there were sufficient distributable reserves to make such a distribution. However, it later became apparent that significant losses had arisen on two major contracts which, until then, had been thought to have been profitable. This had the effect of eliminating all distributable reserves. However, creditors have not been disadvantaged following the hive up of the Group's assets into AEA Technology plc on 1 April 1999 (see Note 24 Post Balance Sheet Event).

No further dividends have been paid.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**9. TANGIBLE FIXED ASSETS**

| <b>Group</b>             | <b>Computer<br/>equipment<br/>£'000</b> | <b>Plant and<br/>Machinery<br/>£'000</b> | <b>Fixtures<br/>and fittings<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------|---|--|--|------------------------|
| Cost                     |   |  |  |                        |
| At 1 July 1997           | 178                                     | 28                                       | 79   | 285                    |
| Additions                | 58                                      |  | 21   | 79                     |
| Disposals                | (12)                                    |  |  | (12)                   |
| At 30 June 1998          | 224                                     | 28                                       | 100  | 352                    |
| Accumulated depreciation |   |  |  |                        |
| At 1 July 1997           | 18                                      | 18                                       | 7  | 43                     |
| Charge for the period    | 67                                      | 6  | 22   | 95                     |
| Disposals                | (4)                                     |  |  | (4)                    |
| At 30 June 1998          | 81                                      | 24                                       | 29   | 134                    |
| Net book value           |   |  |  |                        |
| At 30 June 1998          | 143                                     | 4  | 71   | 218                    |
| At 30 June 1997          | 160                                     | 10                                       | 72   | 242                    |
| <b>Company</b>           | <b>Computer<br/>equipment<br/>£'000</b> | <b>Plant and<br/>Machinery<br/>£'000</b> | <b>Fixtures<br/>and fittings<br/>£'000</b> | <b>Total<br/>£'000</b> |
| Cost                     |   |  |  |                        |
| At 1 July 1997           | 33                                      | 28                                       | 5  | 66                     |
| Additions                | 25                                      | -  | 7  | 32                     |
| At 30 June 1998          | 58                                      | 28                                       | 12   | 98                     |
| Accumulated depreciation |   |  |  |                        |
| At 1 July 1997           | 3                                       | 18                                       | -  | 21                     |
| Charge for the period    | 11                                      | 6  | 3  | 20                     |
| At 30 June 1998          | 14                                      | 24                                       | 3  | 41                     |
| Net book value           |   |  |  |                        |
| At 30 June 1998          | 44                                      | 4  | 9  | 57                     |
| At 30 June 1997          | 30                                      | 10                                       | 5  | 45                     |

Group fixed assets include computer equipment held under finance leases or hire purchase contracts having a net book value of £57,000 (1997 - £73,000) and fixtures and fittings held under finance leases or hire purchase contracts of £39,000 (1997 - £51,000). Depreciation of £33,000 (1997 - £10,000) and £12,000 (1997 - £5,000) respectively was charged on these assets during the period.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**10. INVESTMENTS**

Investments in subsidiaries

|                                    | Shares<br>£'000 | Loans<br>£'000 | Total<br>£'000 |
|------------------------------------|-----------------|----------------|----------------|
| Cost                               |                 |                |                |
| As at 1 July 1997 and 30 June 1998 | 856             | 2,434          | 3,290          |

A list of subsidiary undertakings is given in note 18.

**11. DEBTORS**

|  | Group<br>1998<br>£'000 | Company<br>1998<br>£'000 | Group<br>1997<br>£'000 | Company<br>1997<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Amounts falling due within one year:</b>          |                        |                          |                        |                          |
| Trade debtors  | 2,818                  | 1,852                    | 3,263                  | 2,239                    |
| Amounts recoverable on contracts                     | 782                    | 361                      | 450                    | 242                      |
| Amounts owed by group undertakings                   | -                      | 357                      | -                      | 340                      |
| Other debtors  | 103                    | 97                       | (30)                   | (44)                     |
| Loan to ESOP trust fund                              | 50                     | 50                       | 50                     | 50                       |
| Prepayments and accrued income                       | 323                    | 36                       | 84                     | 74                       |
|  | 4,076                  | 2,753                    | 3,817                  | 2,901                    |
| <b>Amounts falling due after more than one year:</b> |                        |                          |                        |                          |
| Pension prepayment                                   | 2,514                  | 2,514                    | 3,114                  | 3,109                    |
|  | 6,590                  | 5,267                    | 6,931                  | 6,010                    |

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | Group<br>1998<br>£'000 | Company<br>1998<br>£'000 | Group<br>1997<br>£'000 | Company<br>1997<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Bank loans and overdrafts                  | 3,071                  | 3,071                    | 570                    | 570                      |
| Obligations under finance leases (note 19) | 51                     | 1                        | 42                     | -                        |
| Trade creditors                            | 1,597                  | 406                      | 653                    | 500                      |
| Corporation tax                            | -                      | -                        | 38                     | 8                        |
| Other taxes and social security            | 562                    | 270                      | 557                    | 339                      |
| Other creditors                            | 1,870                  | 193                      | 499                    | 466                      |
| Amounts due to group undertakings          | -                      | 1,269                    | -                      | -                        |
| Accruals and deferred income               | 1,734                  | 336                      | 633                    | 267                      |
| Payments on account                        | 537                    | -                        | -                      | -                        |
| Proposed dividend (note 8)                 | 24                     | 24                       | 24                     | 24                       |
|  | 9,446                  | 5,570                    | 3,016                  | 2,174                    |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**13. LOANS AND OVERDRAFTS**

|                                    | <b>Group<br/>1998<br/>£'000</b> | <b>Company<br/>1998<br/>£'000</b> | <b>Group<br/>1997<br/>£'000</b> | <b>Company<br/>1997<br/>£'000</b> |
|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Wholly repayable within five years |                                 |                                   |                                 |                                   |
| Secured overdraft                  | 600                             | 600                               | 212                             | 212                               |
| Secured loans                      | 2,121                           | 2,121                             | 2,150                           | 2,150                             |
| Unsecured loans                    | 350                             | 350                               | -                               | -                                 |
|                                    | <u>3,071</u>                    | <u>3,071</u>                      | <u>2,362</u>                    | <u>2,362</u>                      |
| Due within one year                | 3,071                           | 3,071                             | 570                             | 570                               |
| Due after more than one year       | -                               | -                                 | 1,792                           | 1,792                             |
|                                    | <u>3,071</u>                    | <u>3,071</u>                      | <u>2,362</u>                    | <u>2,362</u>                      |

The secured obligations are the subject of a fixed and floating charge over the group's assets. Interest on the secured loan from Baltic Trust plc is payable at the rate of 4 per cent. above Barclays Bank plc base rate, subject to a minimum of 12 per cent. This loan was repayable in quarterly installments of £179,200 commencing on 30 January 1998.

However, all secured and unsecured loans were repaid in full on 18 August 1998 on the acquisition of the business by AEA Technology plc. Hence the full loans are disclosed within creditors: amounts due within one year (note 12).

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

|                            | <b>£'000</b> |
|----------------------------|--------------|
| <b>Deferred taxation</b>   |              |
| Provision - current period | -            |
| Balance at 30 June 1998    | -            |

The amounts provided in the accounts and the amounts not provided are as follows:

|   | <b>Provided<br/>1998<br/>£'000</b> | <b>Not<br/>Provided<br/>1998<br/>£'000</b> |
|---|------------------------------------|--|
| Capital allowances in advance of depreciation | -                                  | 8  |
| Short term timing differences                 | -                                  | (503)                                      |
| Other timing differences                      | -                                  | (840)                                      |
|   | <u>-</u>                           | <u>(1,335)</u>                             |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1998**

**15. CALLED UP SHARE CAPITAL**

|  | No.       | 1998<br>£      |
|--|-----------|----------------|
| Authorised:  |           |                |
| Ordinary shares of 10 pence each                         | 3,478,260 | 347,826        |
| Cumulative redeemable preference shares of 10 pence each | 956,521   | 95,652         |
|  |           | <u>443,478</u> |
| Called up, allotted and fully paid:                      |           |                |
| Ordinary shares of 10 pence each                         | 3,478,260 | 347,826        |
| Cumulative redeemable preference shares of 10 pence each | 956,521   | 95,652         |
|  |           | <u>443,478</u> |

As at 1 July 1997 the authorised share capital was £443,478 made up of 3,478,260 ordinary shares of 10 pence each and 956,521 cumulative redeemable preference dividends of 10 pence each.

As at 1 July 1997 3,478,240 ordinary shares of 10 pence each were allotted for a total consideration of £443,479, and 956,521 cumulative redeemable preference shares were allotted for a total consideration of £956,521.

On 14 August 1998, Questor VCT plc exercised a warrant in its favour to subscribe for 89,186 ordinary shares of 10p each for a total consideration of £8,918.60 pursuant to a warrant instrument dated 4 February 1999.

As provided by the Articles of Association the cumulative redeemable preference shares are redeemable in two equal installments of £318,840 and thereafter one installment of £318,841 (or such lesser figure as will redeem the balance of all the redeemable preference shares in issue) on 30 June in each year commencing on 30 June 1999, together with the premium payable on redemption. On redemption the holder of each cumulative redeemable preference share shall receive the issue price, a premium of 30 per cent of the issue price and all arrears of preference dividends up to the date of payment. The company may between 1 April and 30 June in any year, within one month of having obtained the written consent of the holders of the cumulative redeemable preference shares, serve a redemption notice and at the expiration of such redemption notice redeem, in tranches of not less than £50,000, such total number of cumulative redeemable preference shares as specified in such notice.

The cumulative redeemable preference shares yield fixed cumulative preference dividends at the rate of 10 per cent per annum, or, in the event of (i) a failure to pay a preference dividend on the due date or (ii) a failure to redeem any preference shares on the due date, at a rate of 15 per cent per annum, which shall be paid in four equal installments on 31 March, 30 June, 30 September and 31 December in each year, save that the first payment should be on 31 December 1996 in respect of the period from the date of issue to 31 December 1996.

Cumulative redeemable preference shareholders have priority over the holders of ordinary shares in a winding up of the company, or other return of capital of the company. Cumulative redeemable preference shareholders have the right to receive notice of all general meetings of the company but do not have the right to attend or vote at any general meeting.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**16. RESERVES**

|   | Share<br>premium<br>£'000 | Capital<br>reserve<br>£'000 | Reserve for<br>redemption<br>of non-<br>equity<br>£'000 | Profit<br>and loss<br>account<br>£'000 |
|---|---------------------------|-----------------------------|---|--|
| <b>Group</b>  |                           |                             |   |  |
| At 1 July 1997  | 957                       | 1,246                       | 72  | (43)                                   |
| Retained loss for the period                                | -                         | -                           | -   | (4,656)                                |
| Write down of pension surplus                               | -                         | (433)                       | -   | -                                      |
| Other finance cost in respect of non-equity shares          | -                         | -                           | 57  | (57)                                   |
|   | <u>957</u>                | <u>813</u>                  | <u>129</u>  | <u>(4,756)</u>                         |
| At 30 June 1998   | <u>957</u>                | <u>813</u>                  | <u>129</u>  | <u>(4,756)</u>                         |
| <b>Company</b>  |                           |                             |   |  |
| At 1 July 1997  | 957                       | 2,947                       | 72  | 38                                     |
| Retained loss for the period                                | -                         | -                           | -   | (982)                                  |
| Write down of pension surplus                               | -                         | (433)                       | -   | -                                      |
| Transfer of finance cost in respect of non equity<br>shares | -                         | -                           | 57  | (57)                                   |
|   | <u>957</u>                | <u>2,514</u>                | <u>129</u>  | <u>(1,001)</u>                         |
| At 30 June 1998   | <u>957</u>                | <u>2,514</u>                | <u>129</u>  | <u>(1,001)</u>                         |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**17. NOTES TO THE CASH FLOW STATEMENT**

**(a) Reconciliation of operating loss to net cash outflow from operating activities**

|   | Year ended<br>30 June<br>1998<br>£'000 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|---|--|---|
| Operating (loss)/profit                             | (4,099)                                | 319   |
| Depreciation  | 95                                     | 36  |
| Loss on disposal                                    | 8                                      |   |
| (Increase) in debtors                               | (92)                                   | (1,111)   |
| Increase in creditors                               | 3,931                                  | 785   |
| Net cash (outflow)/inflow from operating activities | <u>(158)</u>                           | <u>29</u>   |

**(b) Acquisitions and disposals**

|  | Year ended<br>30 June<br>1998<br>£'000 | Period from 3 June 1996<br>to 30 June 1997<br>£'000 |
|--|--|---|
| Purchase of subsidiary undertakings              | -                                      | (3,296)   |
| Net cash acquired with subsidiary                | -                                      | 129   |
| Net cash outflow from acquisitions and disposals | <u>-</u>                               | <u>(3,167)</u>                                      |

**(c) Analysis of net debt**

|   | At 30 June<br>1997<br>£'000 | Cash<br>flow<br>£'000 | New finance<br>leases<br>£'000 | At 30 June<br>1998<br>£'000 |
|---|-----------------------------|-----------------------|--------------------------------|-----------------------------|
| Cash at bank and in hand                | 379                         | (121)                 | -                              | 258                         |
| Overdrafts                              | (211)                       | (389)                 | -                              | (600)                       |
| Bank loans due within one year          | -                           | (2,471)               | -                              | (2,471)                     |
| Finance leases                          | (107)                       | 42                    | (16)                           | (81)                        |
| Borrowings due after more than one year | (2,150)                     | 2,150                 | -                              | -                           |
|   | <u>(2,089)</u>              | <u>(789)</u>          | <u>(16)</u>                    | <u>(2,894)</u>              |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**18. SUBSIDIARIES**

The company's subsidiary undertakings all included in the consolidation are given below:

| <b>Subsidiary</b>   | <b>Activity</b> | <b>Portion of ordinary<br/>shares held: % at<br/>30 June 1998</b> |
|---|-----------------|---|
| TCI Signalling Limited  | Consulting      | 90  |
| TCI Operational Research Limited                                  | Consulting      | 100   |
| Rail Operational Research Limited*                                | Dormant         | 100   |
| TCI Forecast Limited  | Dormant         | 100   |
| Addspice Limited  | Dormant         | 100   |
| BR Projects Limited   | Dormant         | 100   |
| Transaction Limited   | Dormant         | 100   |
| Image Station plc   | Dormant         | 100   |
| TCI Management Limited  | Dormant         | 100   |
| Rail Estates Limited  | Dormant         | 100   |
| Moonhaven Limited   | Dormant         | 100   |
| TCI Limited   | Dormant         | 100   |
| Transportation Consultants International (Hong<br>Kong) Limited** | Dormant         | 100   |

All subsidiaries are incorporated and operate in Great Britain except those denoted by \*\*.

\* denotes held by a subsidiary undertaking.



**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1998**

**19. FINANCIAL COMMITMENTS**

|   | <b>Group<br/>1998<br/>£'000</b> | <b>Company<br/>1998<br/>£'000</b> | <b>Group<br/>1997<br/>£'000</b> | <b>Company<br/>1997<br/>£'000</b> |
|---|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| <b>Capital commitments</b>  |                                 |                                   |                                 |                                   |
| Contracted for but not provided                                     | -                               | -                                 | -                               | -                                 |
| Authorised but not yet contracted for                               | -                               | -                                 | -                               | -                                 |
| <b>Obligations under finance leases and hire purchase contracts</b> |                                 |                                   |                                 |                                   |
| Minimum lease payments due:   |                                 |                                   |                                 |                                   |
| Within one year   | 56                              | 2                                 | 50                              | -                                 |
| Within two to five years  | 31                              | 2                                 | 70                              | -                                 |
|   | 87                              | 4                                 | 120                             | -                                 |
| Finance charges allocated to future periods                         | (7)                             | (1)                               | (13)                            | -                                 |
|   | 80                              | 3                                 | 107                             | -                                 |
| Due within one year   | 50                              | 1                                 | 42                              | -                                 |
| Due after more than one year  | 30                              | 2                                 | 65                              | -                                 |
|   | 80                              | 3                                 | 107                             | -                                 |
| <b>Operating lease commitments</b>                                  |                                 |                                   |                                 |                                   |
|   | <b>1998</b>                     | <b>1998</b>                       | <b>1997</b>                     | <b>1997</b>                       |
|   | <b>Land and</b>                 | <b>Other</b>                      | <b>Land and</b>                 | <b>Other</b>                      |
|   | <b>buildings</b>                | <b>£'000</b>                      | <b>Buildings</b>                | <b>£'000</b>                      |
|   | <b>£'000</b>                    |                                   | <b>£'000</b>                    |                                   |
| Leases which expire:  |                                 |                                   |                                 |                                   |
| Within one year   | 200                             | 9                                 | 400                             | 5                                 |
| Within two to five years  | 72                              | 85                                | 44                              | 108                               |
|   | 272                             | 94                                | 444                             | 113                               |

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1998**

**20. PENSIONS**

All permanent employees of the group are encouraged to become members of an occupational pension scheme. At present employees of the group are members of the TCI (formerly BR Projects) Section (the TCI Section) of Railways Pension Scheme, the majority belonging to the defined benefit pension scheme. Other employees have the option of joining a defined contribution scheme.

**(a) Defined contribution scheme**

The company operates a funded defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the Group to the fund and amounted to £5,000 (1997: nil). Contributions totaling £2,000 (1997 £ nil) were payable to the fund at the year end and are included in creditors.

**(b) Defined benefit scheme**

The defined benefit scheme, whose assets are held separately from the company, is contributory and provides pensions related to pay at retirement. Contributions are determined in accordance with advice received from the Scheme's independent actuary.

The assets and liabilities of the British Rail Pension Scheme were transferred to the Railways Pension Scheme on 1 October 1994. Liabilities in respect of the company's employees were transferred from the British Rail Section to the TCI Section on 26 June 1996.

A formal valuation of the TCI Section as at 26 June 1996 has been carried out by Watson Wyatt Partners, Actuaries and Consultants. The valuation was based on the projected unit method and showed that the market value of the scheme's assets was £10,748,000 and that the actuarial value of those assets and the actuarial value of future government support represented 182% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation disclosed a surplus of assets over the accrued pension liability attributable to the Group of £2,947,000. The principal assumptions used were the following:

|                           |     |
|---------------------------|-----|
| Rate of interest          | 9%  |
| Rate of salary escalation | 5½% |
| Rate of pension increases | 4½% |
| Rate of dividend growth   | 4½% |

The pension surplus was recognised as an asset following the acquisition of BR Projects Ltd. on 26 June 1996 in accordance with FRS 7.

During the year the TCI Scheme was merged with the former Lion Research Limited pension scheme. The basis of the valuation of the pension surplus of the merged scheme was reviewed by the directors and the surplus was written down to £2,514,000.

The write down of £433,000 was treated as a material adjustment to the provisional fair value attributed to the acquired assets and liabilities of BR Projects Limited and Lion Research Limited as at 30 June 1997. In accordance with FRS7 the capital reserve arising on the 1997 acquisitions was adjusted accordingly.

The pension cost during the period was £402,000 (1997: 193,000). Contributions totaling £25,000 (1997: £14,000) were payable to the fund at the year end and are included in creditors.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1998**

**21. RELATED PARTY TRANSACTIONS**

The group had the following transactions with related parties during the period:

- (i) Interest and fees paid to Baltic Trust plc, a wholly owned subsidiary of Baltic plc in which J Cohen and P Conroy are directors. At 30 June 1998 the company owed £1,971,000 to Baltic Trust plc under the terms of the secured loan, together with interest payable of £181,000.
- (ii) Interest and fees paid to Quester VCT plc a company in which T Sooke is a director. At 30 June 1998 the company owed Quester VCT plc (1) £150,000 under the terms of a secured loan, together with interest payable of £1,175 and (2) £62,500 under the terms of an unsecured interest free loan.
- (iii) At 30 June 1998 the company owed J Cohen, D Reed and Marigold Investments Limited, a company in which P Radcliffe, R Kelvin Hughes and R Britten-Long are directors, £287,500 under the terms of an unsecured interest free loan.
- (iv) On 18 August 1999 R Keegan received salary entitlement up to 18 August, a payment of £56,192 into his pension scheme and acquired the entire issued share capital of Transaction Limited and Rail Estate Limited for a total consideration of £12 as compensation for loss of office.
- (v) As at 30 June 1998, the company's cumulative redeemable preference shares were held by Quester VCT plc, on which dividends of £96,000 have been paid or proposed during the period.

**22. SECURITY AND CONTINGENT LIABILITIES**

The company, together with other companies in the group, has given guarantees to the group's bankers and to Baltic Trust plc in respect of amounts advanced to the group under its banking and loan facilities. The bank loans and the overdraft are secured by fixed and floating charges over the assets of the group. No losses are expected to arise with respect to these guarantees.

**23. EMPLOYEE SHARE OWNERSHIP TRUST**

On 30 April 1997 a management benefit trust (the "Trust") was created with Mourant & Co Trustees Limited (the "Trustees") being appointed trustees. On or about 29 May 1997 a loan of £50,000 was made to the Trustees pursuant to Section 202 of the Companies Act 1985, to enable the Trustees to purchase ordinary shares in the company held by Capita Group plc on or about 30 June 1997 for £50,000. Pursuant to Section 202 the loan was made on an interest free basis.

As at 30 June 1998 the Trust held 52,174 ordinary shares of Transportation Consultants International Limited with an estimated market value of £159,000. The administrative costs of the trust were borne by the beneficiaries of the trust.

Prior to 18 August 1998 the shares held by the Trust were notionally allocated to nominated managers. The On 18 August 1998 the shares held by the Trust were sold to AEA Technology plc. The price paid for the shares was payable by AEA Technology plc in three installments. The first installment was paid on 18 August 1998, the second on 17 December 1998 and the third to be paid on 17 July 1999. The loan by the company to the Trustees was repaid in two equal installments from the first and second installments received from AEA Technology plc.

**TRANSPORTATION CONSULTANTS INTERNATIONAL LIMITED**  
**(formerly BR Projects Limited)**  
**(formerly Addspice Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1998**

**24. POST BALANCE SHEET EVENTS**

Since the year-end further negotiations on major long-term loss making contracts have resulted in the recognition of variation claims of £1.1million.

The total anticipated costs at 30 June 1998 for these contracts have been recognised in the accounting period ending 30 June 1998 in accordance with SSAP9, except for costs of future negotiations.

It is the Group's policy to recognise any income arising from the settlement of claims in the accounting period when the ultimate realisation of the claims can be assessed with reasonable certainty.

It is the opinion of the directors that the additional revenue should be recognised in the period in which the negotiations took place. The costs of these negotiations will also be recognised in the same period.

Prior to the sale of the shares in the company to AEA Technology plc, Baltic Trust plc exercised an option to purchase shares in the company from the then shareholders in the company, except Questor VCT plc. The option was exercised and brought about by the pending sale of the shares in the company to AEA Technology plc and the early redemption of a loan in the amount of £1.97 million from Baltic Trust plc to the company.

On 14 August 1998, Questor VCT plc exercised a warrant in its favour to subscribe for 89,186 ordinary shares of 10p each for a total consideration of £8,918.60 pursuant to a warrant instrument dated 4 February 1999.

On 1 April 1999 the assets and liabilities of Transportation Consultants International Limited were hived up at net book value into AEA Technology plc.

On 30 June 1999 AEA Technology plc and Transportation Consultants International Ltd signed a Deed of Waiver in respect of the 956,521 10% cumulative preference shares. Pursuant to clause 7.2 of the Articles of Association the shares are redeemable in two equal instalments of £318,840 and one final instalment of £318,841.70 on 30 June each year commencing on 30 June 1999. Pursuant to clause 7.3 of the Articles the shares would have been redeemable upon a sale to AEA Technology plc. As a consequence of AEAT becoming the sole shareholder of the company from 18 August 1998 it was agreed that the provisions of clauses 7.2 and 7.3 would be waived and that the company would not have to redeem the shares.

**25. ULTIMATE PARENT COMPANY**

Following the acquisition on 18 August 1998, the ultimate parent company became AEA Technology plc which is incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of AEA Technology plc may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.