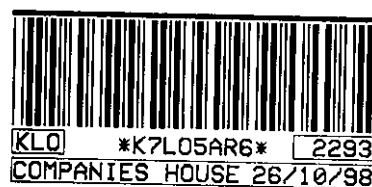


COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31ST DECEMBER 1997

Registered Number: 1911653



COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiary undertakings for the year ended 31st December 1997.

Business Review and Principal Activities

The principal activities of the Group are those of designing, manufacturing, marketing and supporting electronic equipment for use both on aircraft and in ground systems applications.

All of the Group's existing business is within the Defence Industry, including several Eurofighter 2000 development programmes.

The Group continues to invest in key projects to ensure growth in future years and remains well positioned to take new opportunities which will materially broaden both its technology base and product range.

During the year the Group issued additional preference shares to its parent company, Computing Devices Canada. This represents an investment by the parent in anticipation of future earnings growth arising from UK/Canada co-operation on ground systems business.

The Ultimate Parent ownership changed to General Dynamics Corporation, 3190 Fairview Park Drive, Falls Church, VA 22042, USA as of the 31st December 1997.

Research and Development

The Company policy is to invest in the initial design and development of new technologies and products. This approach contributes to the award of customer-funded contracts for the completion of product development.

Year 2000 Compliance

As described in Note 19, Computing Devices are progressing a Year 2000 project with the aim that any Year 2000 non-compliances of infrastructure and products will be resolved. The initial results of this project indicate a low risk in respect of Year 2000 issues and costs.

Results for the year

The Group's result for the year ended 31st December 1997 was a profit of £1,486K which compared to a profit of £600K for the year ended 31st December 1996.

The improved trading result for the year is due mainly to superior programme performance across a range of programmes in core business areas.

The directors do not recommend the payment of a dividend (1996: NIL)

Directors

The directors who served during the year were:

W. J. Uttley-Moore	(Resigned 9th January 1997)
J. E. Juntilla	
T. J. Brammer	
D. J. Dolan	(Resigned 31st December 1997)
R. L. Turner	(Resigned 31st December 1997)
D. M. Spiers	(Appointed Chairman 1st January 1997)
D. E. Scott	

None of the directors who held office had any disclosable interest in the shares and options of the Company. Share options held by the directors in the ultimate parent company are shown in the accounts of that Company.

Employees

The training and management of a highly skilled workforce is key to future business growth. The directors ensure that health and safety are given special attention within the Group. The Group has a general policy to encourage employment of disabled people and would if at all possible, encourage the retention of any employee who became disabled during their employment and also encourage career development by suitable training thereafter.

Political and Charitable donations

The group made no political contributions during the year. Donations to UK charities amounted to £4,114 (1996: £4,419).

Employment Involvement

It is the Group's policy to inform the employees as fully as possible of all areas of Group activity. Comprehensive communication to all employees takes place annually in addition to more frequent departmental communication meetings. The subjects covered include market forecasts, product developments, facility and benefit changes, and the Group's financial position.

Land and Buildings

The directors are of the opinion that the market value of buildings and leased land is approximately in line with the book value of £1.7 million.

Auditors

Following the change in ownership, KPMG will be asked to resign as auditors to the Company. Arthur Andersen will act as auditors to the Company until a resolution for their appointment as auditors of the Company is proposed at the forthcoming Annual General Meeting.

21 Holborn Viaduct
London. EC1A 2DY

By Order of the Board



Director

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
STATEMENT OF DIRECTORS RESPONSIBILITIES

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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and 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 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDITORS REPORT
TO THE MEMBERS OF
COMPUTING DEVICES COMPANY LIMITED

We have audited the financial statements on Pages 5 to 22.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 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 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 affairs of the Company and the Group as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors



1998

KPMG
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
Turnover	2	38,088	32,818
Cost of Sales		(30,964)	(28,634)
Gross Profit		<u>7,124</u>	<u>4,184</u>
Administrative expenses		(4,968)	(3,149)
Operating profit		<u>2,156</u>	<u>1,035</u>
Other interest receivable & similar income	4	160	82
Interest payable & similar charges	5	(256)	(498)
Profit on ordinary activities before taxation	6	<u>2,060</u>	<u>619</u>
Tax on profit on ordinary activities	8	(574)	(19)
Profit for the financial year		<u><u>1,486</u></u>	<u><u>600</u></u>



Details of movements in reserves are shown in note 17 on page 20.

The notes on pages 7 to 22 form an integral part of the financial statements.

There are no recognised gains or losses other than the profit for the financial year. The profit for the year arises from continuing operations.

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
BALANCE SHEET AS AT 31ST DECEMBER 1997

	Note	<u>As at 31.12.97</u>		<u>As at 31.12.96</u>	
		<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed Assets					
Tangible fixed assets	9	6,435	6,435	4,106	-
Investments	10	-	-	-	361
		<u>6,435</u>	<u>6,435</u>	<u>4,106</u>	<u>361</u>
Current Assets					
Debtors - amounts falling due in less than one year	12	20,773	20,773	15,236	1,953
Debtors - amounts falling due in more than one year	13	160	160	160	6,000
		<u>20,933</u>	<u>20,933</u>	<u>15,396</u>	<u>7,953</u>
Stock and work in progress	11	1,253	1,253	2,041	-
Cash at bank and in hand		-	-	1,845	1,273
		<u>22,186</u>	<u>22,186</u>	<u>19,282</u>	<u>9,226</u>
Current Liabilities					
Creditors - amounts falling due within one year	14	(16,304)	(18,175)	(12,806)	(1,360)
Net Current Assets		<u>5,882</u>	<u>4,011</u>	<u>6,476</u>	<u>7,866</u>
Total Assets less Current Liabilities		12,317	10,446	10,582	8,227
Provisions for liabilities and charges	15	(1,254)	(1,254)	(2,355)	-
Net Assets		<u>11,063</u>	<u>9,192</u>	<u>8,227</u>	<u>8,227</u>
Capital and Reserves					
Called-up share capital	16	9,262	9,262	7,912	7,912
Capital redemption reserve	17	88	88	88	88
Profit and loss account	17	1,713	(158)	227	227
Total Shareholders' Funds		<u>11,063</u>	<u>9,192</u>	<u>8,227</u>	<u>8,227</u>
Equity shareholders' funds		3,713	1,842	2,227	2,227
Non-equity shareholders' funds		<u>7,350</u>	<u>7,350</u>	<u>6,000</u>	<u>6,000</u>
		<u>11,063</u>	<u>9,192</u>	<u>8,227</u>	<u>8,227</u>


)
 J. E. JUNTILLA)

)
 T. J. BRAMMER)

The Accounts were approved
 by the Board of Directors
 on 25th MARCH 1998

The notes on pages 7 to 22 form an integral part of these financial statements.

COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARY UNDERTAKINGS

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are material in relation to the financial statements.

(i) Basis of Preparation and Consolidation

- a) These financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.
- b) The consolidated accounts include the accounts of Computing Devices Company Limited and its subsidiary undertakings.
- c) The Company guarantees the liabilities of its subsidiary undertakings.
- d) Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements (Note 21).
- e) Goodwill arising on consolidation is written off against accumulated reserves.
- f) The Company has not presented its own Profit and Loss Account in accordance with Section 230(4) Companies Act 1985.
- g) The company is exempt from the requirements of Financial Reporting Standard 8, insofar as they apply to transactions with group undertakings, as it is a wholly owned subsidiary of General Dynamics Corporation whose consolidated financial statements are publicly available (see note 21).

(ii) Depreciation

Depreciation on plant, machinery, and motor vehicles is provided on a straight line basis at 25% per annum. The cost of the leasehold land and premises is being written off on a straight line basis over the life span of the lease or 50 years, whichever is the shorter.

(iii) Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future.

(iv) Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

(v) Long Term Contracts

Profit on long term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a basis to reflect the proportion of work carried out at the year end. Full provision is made for losses on all contracts in the year in which they are first foreseen.

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS

Amounts included in cost of sales for long term contracts represent all costs incurred in the year, comprising direct materials and labour plus attributable overheads based on normal levels of activity. Amounts included in turnover for long term contracts represent the sales value of work carried out, calculated as costs incurred plus attributable profit or less foreseeable losses.

(vi) Short Term Contracts

On short term contracts turnover represents amounts invoiced and authorised during the accounting tax period net of VAT.

(vii) Foreign Currency Translation

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or the contract rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at a forward contract rate.

(viii) Warranties

Provision is made for the estimated cost of work to be performed under warranties.

(ix) Research and Development

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

(x) Leasing Commitments

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profits over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to profits on a straight line basis over the term of the lease.

(xi) Pensions

The Group operates a defined contribution pension scheme which also incorporates frozen 'final salary' benefits for pensioners and deferred pensioners. The scheme is funded by contributions from both employers and employees. The valuation of the preserved benefits element of the scheme is determined by independent qualified actuaries. These contributions are invested separately from the Group's assets. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company.

(xii) Government Grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

2 **TURNOVER**

Turnover has been wholly derived from the continuing operation of design, production and support of avionic and associated electronic equipment. The analysis of turnover by geographical area is as follows:

	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
United Kingdom	22,954	22,539
Europe	9,921	5,694
North America	4,766	3,846
Australia	447	739
	<u>38,088</u>	<u>32,818</u>

3 **STAFF NUMBERS AND COSTS**

The average number of the Group's employees (including directors) during the period is as

	Number of Staff <u>1997</u>	<u>1996</u>
Administration	99	90
Production	355	337
	<u>454</u>	<u>427</u>

The aggregate payroll cost of these employees is as follows:

	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
Wages and salaries	10,938	9,531
Social security costs	968	790
Pension contributions and expenses	606	611
	<u>12,512</u>	<u>10,932</u>

Wages and salaries include redundancy costs of £184,237(1996: £5,881)

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
Bank interest	158	81
Staff loan interest	<u>2</u>	<u>1</u>
	<u>160</u>	<u>82</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
Bank loans and overdrafts	220	203
Interest on loans from parent undertaking	<u>36</u>	<u>295</u>
	<u>256</u>	<u>498</u>

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) before taxation is stated

	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
after charging:		
Operating leases		
Land and Buildings	72	157
Other	44	41
Research & development	348	187
Equipment Rental	6	16
Depreciation of owned fixed assets	1,193	752
Auditors' remuneration		
for audit services	42	50
for other services	<u>42</u>	<u>76</u>
after crediting:		
Government grants	<u>(16)</u>	<u>-</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

7	DIRECTORS EMOLUMENTS	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
	Directors' emoluments as Directors	<u>191</u>	<u>262</u>
	Company contributions to money purchase pension schemes	<u>279</u>	<u>-</u>
	Retirement benefits under a money purchase scheme (see note 20) are accruing to 1 director		
8	TAX ON PROFITS/(LOSS) ON ORDINARY ACTIVITIES	Year ended <u>31.12.97</u> £'000	Year ended <u>31.12.96</u> £'000
	The charge/(credit) for taxation comprises:		
	UK Corporation tax at 31.5% (1996: 33%)	123	-
	Overseas taxation	154	18
	Double tax relief	(81)	-
	UK income tax paid	1	1
	Deferred tax charge	<u>377</u>	<u>-</u>
		<u>574</u>	<u>19</u>

COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARY UNDERTAKINGS

NOTES ON THE FINANCIAL STATEMENTS (CONT)

9 TANGIBLE ASSETS

<u>Group</u>	<u>Long Leasehold Land and Buildings</u>	<u>Short Leasehold Land and Buildings</u>	<u>Plant Machinery and Motor Vehicles</u>	<u>Totals</u>
	£'000	£'000	£'000	£'000
Cost:				
As at 1st January 1997	2,232	23	10,242	12,497
Additions	-	166	3,356	3,522
Disposals	-	-	(406)	(406)
At 31st December 1997	<u>2,232</u>	<u>189</u>	<u>13,192</u>	<u>15,613</u>
Depreciation :				
As at 1st January 1997	691	11	7,689	8,391
Charged in year	47	2	1,144	1,193
Depreciation on Disposals	-	-	(406)	(406)
At 31st December 1997	<u>738</u>	<u>13</u>	<u>8,427</u>	<u>9,178</u>
Net Book Value:				
at 31st December 1997	<u>1,494</u>	<u>176</u>	<u>4,765</u>	<u>6,435</u>
At 31st December 1996	<u>1,541</u>	<u>12</u>	<u>2,553</u>	<u>4,106</u>
 <u>Company</u>	 <u>Long Leasehold Land and Buildings</u>	 <u>Short Leasehold Land and Buildings</u>	 <u>Plant Machinery and Motor Vehicles</u>	 <u>Totals</u>
	£'000	£'000	£'000	£'000
Cost:				
As at 1st January 1997	-	-	-	-
Transfers from subsidiary Undertaking	2,232	189	13,192	15,613
At 31st December 1997	<u>2,232</u>	<u>189</u>	<u>13,192</u>	<u>15,613</u>
Depreciation :				
As at 1st January 1997	-	-	-	-
Transfers from subsidiary Undertaking	738	13	8,427	9,178
At 31st December 1997	<u>738</u>	<u>13</u>	<u>8,427</u>	<u>9,178</u>
Net Book Value:				
at 31st December 1997	<u>1,494</u>	<u>176</u>	<u>4,765</u>	<u>6,435</u>
At 31st December 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

10 INVESTMENTS

Company: Interest in subsidiary undertakings

<u>Cost</u>	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
At 1st January 1997 and 31st December 1997	950	4,500	5,450

Provisions

At 1st January 1997	589	4,500	5,089
Provided in year	361	-	361
	950	4,500	5,450

Net book value

At 1st January 1997	-	-	-
At 31st December 1996	361	-	361

Computing Devices Company Limited owns 99.98% of the ordinary share capital of each of the companies.

The subsidiary undertakings, Computing Devices Hastings Limited and Computing Devices Eastbourne Limited, are incorporated in Great Britain and registered in England and Wales. During the year the principal activity of Computing Devices Hastings Limited was the design, production and support of avionic and related electronic equipment. As of 31 December 1997, both subsidiaries are none trading.

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

11 STOCK AND WORK IN PROGRESS

	As at 31.12.97 £'000	As at 31.12.96 £'000
<u>Group</u>		
Raw materials and consumables	157	121
Long term contract balances	1,096	1,920
	<u>1,253</u>	<u>2,041</u>
Long term contract balances represent:		
Net cost less foreseeable loss	1,260	4,637
Applicable payments on account	(164)	(2,717)
	<u>1,096</u>	<u>1,920</u>
 <u>Company</u>	 As at 31.12.97 £'000	 As at 31.12.96 £'000
Raw materials and consumables	157	-
Long term contract balances	1,096	-
	<u>1,253</u>	<u>-</u>
Long term contract balances represent:		
Net cost less foreseeable loss	1,260	-
Applicable payments on account	(164)	-
	<u>1,096</u>	<u>-</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

12 DEBTORS: Amounts falling due within one year

	As at 31.12.97 £'000	As at 31.12.96 £'000
<u>Group</u>		
Amounts recoverable on contracts	8,182	9,949
Trade debtors	11,880	4,983
Other debtors	44	74
Prepayments	667	230
	<u>20,773</u>	<u>15,236</u>
 <u>Company</u>	 As at 31.12.97 £'000	 As at 31.12.96 £'000
Amounts recoverable on contracts	8,182	-
Trade debtors	11,880	-
Other debtors	44	-
Prepayments	667	7
Amount owed by subsidiary undertaking	-	1,946
	<u>20,773</u>	<u>1,953</u>

13 DEBTORS - Amounts falling due after more than one year

	As at 31.12.97 £'000	As at 31.12.96 £'000
<u>Group</u>		
Prepayments	<u>160</u>	<u>160</u>
 <u>Company</u>		
Prepayments	160	
Amounts owed by subsidiary undertaking	-	6,000
	<u>160</u>	<u>6,000</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

14 CREDITORS : Amounts falling due within one year

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
<u>Group</u>		
Bank Overdraft	1,775	-
Payments on account on long term contracts	9,776	6,176
Trade creditors	2,669	1,473
Amounts owed to parent undertaking	-	3,482
Other creditors including taxation and social security	778	653
Accruals	1,306	1,022
	<u>16,304</u>	<u>12,806</u>

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
<u>Company</u>		
Bank Overdraft	1,775	-
Payment on account on long term contracts	9,776	-
Trade Creditors	2,669	-
Amounts owed to subsidiary undertaking	1,871	-
Amounts owed to parent undertaking	-	1,350
Other creditors including taxation and social security	778	-
Accruals	1,306	10
	<u>18,175</u>	<u>1,360</u>

Other creditors including taxation and social security comprise:

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
<u>Group</u>		
UK Corporation tax	212	100
Social security	139	116
Other taxes	427	437
	<u>778</u>	<u>653</u>

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
<u>Company</u>		
UK Corporation tax	212	-
Social Security	139	-
Other taxes	427	-
	<u>778</u>	<u>-</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

15 PROVISION FOR LIABILITIES AND CHARGES

<u>Group</u>	<u>Taxation including deferred taxation</u> £'000	<u>Long term Contract provisions</u> £'000	<u>Total</u> £'000
At beginning of year	-	2,355	2,355
Movement during the year	377	(1,479)	(1,102)
At end of year	<u>377</u>	<u>876</u>	<u>1,253</u>

Due to the nature of provisions for future losses on long term contracts and their method of calculation it is not possible to split the movement on provisions between the utilisation of past provisions and the creation of new provisions. Accordingly the analysis of the movement as required by schedule 4 of the Companies Act 1985 is not given.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	<u>Provided</u> £'000	<u>Unprovided</u> £'000	<u>Provided</u> £'000	<u>Unprovided</u> £'000
Difference between accumulated depreciation and capital allowances	377	-	-	406
Other timing differences	-	(96)	-	(769)
	<u>377</u>	<u>(96)</u>	<u>-</u>	<u>(363)</u>

<u>Company</u>	<u>Taxation including deferred taxation</u> £'000	<u>Long term Contract provisions</u> £'000	<u>Total</u> £'000
At beginning of year	-	-	-
Amounts transferred from subsidiary	377	876	1,253
At end of year	<u>377</u>	<u>876</u>	<u>1,253</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	<u>Provided</u> £'000	<u>Unprovided</u> £'000	<u>Provided</u> £'000	<u>Unprovided</u> £'000
Difference between accumulated depreciation and capital allowances	377	-	-	-
Other timing differences	-	(7)	-	-
	<u>377</u>	<u>(7)</u>	<u>-</u>	<u>-</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

16 SHARE CAPITAL

The Share Capital of the Company is organised in two classes, Ordinary Share of £0.50p each and Preference Shares of £0.50p each

	As at <u>31.12.97</u> No. of Shares	As at <u>31.12.96</u> No. of Shares
Authorised		
- Ordinary	4,000	4,000
- Preference	<u>36,000</u>	<u>36,000</u>
	<u>40,000</u>	<u>40,000</u>
	£'000	£'000
Allotted, called up and fully paid		
- Ordinary	1,912	1,912
- Preference	<u>7,350</u>	<u>6,000</u>
	<u>9,262</u>	<u>7,912</u>

During the year, the Company issued 2,700,000 50p redeemable preference shares at par for cash to its new parent company, Computing Devices Canada Limited. The Company has the right to redeem these shares no later than 31 December 2006. No premium is payable on redemption.

The Company has an approved share option scheme for group employees which creates contingent rights to the allotment of additional ordinary shares. The status at 31st December 1997 is:

Number of Ordinary Shares over which options are outstanding	Price Per Ordinary Share	Exercise Dates	
		From	To
1110	£18.50	1992	1997
1295	£28.20	1993	1998

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group

	Share Capital £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000
At 1st January 1997	7,912	88	227
Issue Share Capital	1,350	-	-
Profit for the financial year	-	-	1,486
At 31st December 1997	<u>9,262</u>	<u>88</u>	<u>1,713</u>

Company

	Share Capital £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000
At 1st January 1997	7,912	88	227
Issued Share Capital	1,350	-	-
Loss for the financial year	-	-	(385)
At 31st December 1997	<u>9,262</u>	<u>88</u>	<u>(158)</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

18 CAPITAL COMMITMENTS

(i) Capital commitments at the end of the financial year for which no provision has been made

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
Contracted	444	403
Authorised but not contracted	<u>470</u>	<u>254</u>

(ii) Annual commitments under non-cancellable operating leases are as follows:

	As at <u>31.12.97</u> £'000	Other £'000	As at <u>31.12.96</u> £'000	Other £'000
	<u>Land and Buildings</u>		<u>Land and Buildings</u>	
Operating leases which expire:				
Within one year	-	17	23	-
In the second to fifth years inclusive	29	15	98	36
Over five years	119	-	20	-
	<u>148</u>	<u>32</u>	<u>141</u>	<u>36</u>

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

19 CONTINGENT LIABILITIES

	As at <u>31.12.97</u> £'000	As at <u>31.12.96</u> £'000
<u>Group</u>		
Obligations under forward exchange contracts	2,696	5,918
Group VAT registration	120	120
Performance guarantees	4,002	500
Carnets	<u>248</u>	<u>62</u>

The company has guaranteed the overdraft of its subsidiaries, the amount outstanding at the year end was £1,775K (1996: £NIL).

Products previously supplied by Computing Devices and currently under development rely on computer software and hardware which has the potential to suffer from the Year 2000 problem. Any potential problems may result in remedial costs to be incurred by Computing Devices.

A high level review and risk assessment has been performed with respect to the potential impact of Year 2000 problems on products and infrastructure. The results indicate a low instance of potential Year 2000 issues. Where instances have been identified they are categorised as 'low risk' with the exception of one product. In that case the resources have been allocated internally to carry out redesign. On the basis of this assessment, as at 31 December 1997, the Directors consider that costs to complete, and hence profit recognition, on current development contracts need not be adjusted for any remedial costs. Similarly, the Directors consider that no provisions are required in respect of remedial costs of redesigning legacy products.

Resources are being allocated in 1998 to produce a comprehensive inventory of all affected product and infrastructure items and to redesign and execute a standard suite of tests. Until the results of these more comprehensive tests are known, it is not practical, to make an estimate of any potential further rectification costs arising from any Year 2000 issues at this stage of the project.

COMPUTING DEVICES COMPANY LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS
NOTES ON THE FINANCIAL STATEMENTS (CONT)

20 PENSIONS

The group operates a defined contribution benefits pension scheme which also incorporates frozen 'final salary' for pensioners and deferred pensioners. This scheme was introduced from 6th April 1997 at which time members ceased to secure benefits on a final salary basis and were given the option to transfer their benefits to the defined contribution section of the scheme. The assets of the scheme are held separately from those of the Group, being invested with an external fund manager. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The most recent interim actuarial valuation of the final salary liabilities was carried out at 1st November 1997. It was assumed that the investment returns would be 8.75% p.a. compound and that the increases in pensions in payment would be 3% of GMP's accrued after 6th April 1988. The valuation showed that the market value of the assets relating to final salary liabilities was £3,780,995 and that the actuarial value of those assets represented 118% of the liabilities.

The expenses of the scheme are borne by the Group.

21 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of General Dynamics Corporation, which is the ultimate parent company registered in USA.

The largest and smallest higher group in which the results of the Company are consolidated is that headed by General Dynamics Corporation, incorporated in USA. The consolidated accounts of the group are available to the public and may be obtained from 3190 Fairview Park Drive, Falls Church, VA22042, USA.