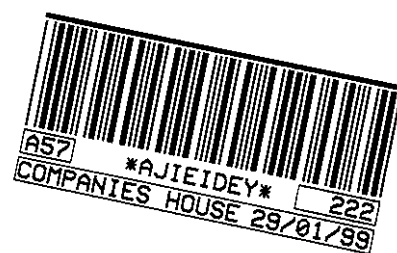


2077752

DEVONPORT ROYAL DOCKYARD LIMITED
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 1997



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DEVONPORT ROYAL DOCKYARD LIMITED

Directors:	A F Pryor	Chairman
	Dr D E Gilbert CBE	Chief Executive
	H W Warren	Finance Director
	Sir Ronald Garrick	
	D A M Dunbar	
	H M Bedelian	
	I Tyler	
	T M Noble	
	A J Fetterman	

Secretary: H W Warren

Auditors: Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Bankers: Midland Bank plc
Business Banking Centre
70 Pall Mall
London
SW1Y FEZ

Registered Office: Devonport Royal Dockyard
Devonport
Plymouth
PL1 4SG

Registered Number: 2077752

DEVONPORT ROYAL DOCKYARD LIMITED
DIRECTORS' REPORT
for the period ended 31 December 1997

The Directors submit their report and accounts for the 9 months ended 31 December 1997.

Principal Activities, Business Review and Future Developments

The principal activities of the company are the refitting and maintenance of naval vessels and associated equipment. Further comments are included in the Chairman's Statement.

Results and Dividends

The accounting reference date has changed from 31 March to 31 December to coincide with the parent company's accounting reference date.

The trading profit for the 9 months after taxation was £8,112,000 (12 months to 31 March 1997 - £107,000). Interim dividends of £6,000,000 and £1,318,000 were paid and proposed respectively during the period (31 March 1997 - Nil).

Directors

The Directors during the period were as follows:-

A F Pryor	Chairman
Dr D E Gilbert CBE	Chief Executive
H W Warren	Finance Director
Sir Ronald Garrick	
D A M Dunbar	
H M Bedelian	
I Tyler	(Appointed 19 June 1997)
T M Noble	(Appointed 18 April 1997)
E R Read	(Appointed 02 May 1997) (resigned 6 November 1997)
A J Fetterman	(Appointed 28 May 1998)

The Directors with interests in the ordinary shares of the ultimate parent company are as follows:

	Restricted Fully paid shares		Unrestricted Fully paid shares		Options to purchase shares		
	31.12.97	31.3.97	31.12.97	31.3.97	31.12.97	Exercised	31.3.97
A F Pryor	4,050	4,050	500	1,450	-	-	-
T M Noble	2,850	2,850	4,650	4,650	9,000	-	9,000
A J Fetterman	300	300	200	200	4,234	1,666	5,900

Restricted shares are held in trust on behalf of employees pending their continued employment with the company for a period of between 5 and 10 years following allotment.

Employees are however entitled to receive all dividends arising on restricted shares.

DEVONPORT ROYAL DOCKYARD LIMITED
DIRECTORS' REPORT
for the period ended 31 December 1997

Directors' responsibilities

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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.

Board Committees

To assist the Directors in the exercise of their duties, a remuneration and audit committees meet regularly. The remuneration committee approve senior management salaries, performance related bonuses and other benefits. The audit committee review financial statements, the operation of internal control and the conduct of external audit. Both committees are independent of executive management.

Charitable Donations

The Company made charitable donations during the period amounting to £2,190 (31 March 1997 - nil).

Creditor Payment Policy

It is the Company's policy and practice to pay suppliers on the Friday after 30 days from the invoice date (based on the timely receipt of an accurate invoice) unless other terms are specifically agreed with the supplier.

Trade creditor days of the Company for the period ended 31 December 1997 were 35.6 days (31 March 1997 - 31.1 days), based on the ratio of the average Company trade creditors during the period to the amounts invoiced during the period by trade creditors.

Risk Associated with Year 2000

Some computer and embedded systems have historically stored and referred to dates using the last two digits of the year only, potentially leading to incorrect treatment of dates or other processing faults before, during and after the year 2000. This issue has been widely recognised across the business community, and most, if not all, substantial companies have introduced programmes to ensure that the year 2000 problem is properly addressed before the year 2000.

The Dorhold Group, in which the Company is a 100% subsidiary, is aware of the problems associated with year 2000 and is acting in accordance with best practice in this area.

The Group is reviewing and modifying its computer systems, mainly by upgrading or replacing package systems. Operations are exposed to the failure of third party suppliers and customers to deal with their year 2000 issues, and also to possible liability on equipment supplied. We are taking all reasonably practicable steps to mitigate these risks, both in relation to past projects and those which are currently being undertaken.

DEVONPORT ROYAL DOCKYARD LIMITED
DIRECTORS' REPORT
for the period ended 31 December 1997

Risk Associated with Year 2000 (Continued)

The Board has delegated detailed implementation to the Executive Directors of the individual operating units, with suitable controls operating at a Group level. These controls consist of regular reporting on the state of compliance by the operating units, together with regular reviews to ensure that this compliance programme is adequately and documented at Group level.

Employment of Disabled Persons

The policy of the Company is to give full consideration to applications for employment from disabled persons who have the aptitudes and abilities to meet the requirements of the job. An employee who becomes disabled will continue to be employed where possible under the same terms and conditions. Training and career development apply wherever appropriate to all employees including disabled persons.

Employee Involvement

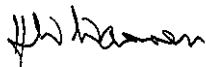
The Dorhold Group, in which the Company is a 100% subsidiary, places considerable emphasis on maintaining good communications with all employees. To this end the Group produces and distributes news bulletins on a regular basis, updating employees on Group policy and performance.

A Group newspaper is also produced, featuring articles on the achievements of the workforce and presenting the views and opinions of employees. The Group also operates a suggestions scheme, encouraging employees to put forward ideas with a view to reducing costs and improving efficiency.

Auditors

Following the resignation of Ernst & Young on 30 January 1998, Arthur Andersen were appointed as auditors of the Company.

BY ORDER OF THE BOARD



H W WARREN
Secretary

Date: 3 December 1998.

AUDITORS' REPORT

To the Shareholders of Devonport Royal Dockyard Limited.

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

Date: 3 December 1998

DEVONPORT ROYAL DOCKYARD LIMITED
PROFIT AND LOSS ACCOUNT
for the period ended 31 December 1997

	Notes	31 December 1997 £'000	31 March 1997 £'000
Turnover	2	218,738	107,636
Cost of sales		206,916	106,765
Operating profit	3	11,822	871
Net interest payable	4	558	62
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,264	809
Tax on profit on ordinary activities	5	3,152	702
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,112	107
DIVIDENDS	6	7,318	-
RETAINED PROFIT for the period		794	107
RETAINED PROFIT brought forward		107	-
RETAINED PROFIT carried forward	13	901	107

Note of historical cost profits and losses.

The historical cost profit for the 9 months to December 1997 is as shown above.

The Company had no recognised gains or losses other than the profit for the period.

The accompanying notes are an integral part of this profit and loss account.

DEVONPORT ROYAL DOCKYARD LIMITED
BALANCE SHEET
as at 31 December 1997

	Notes	31 December 1997 £'000	31 March 1997 £'000
FIXED ASSETS			
Tangible assets	7	66,466	70,748
		<u>66,466</u>	<u>70,748</u>
CURRENT ASSETS			
Stocks	8	10,437	16,575
Debtors:	9		
- falling due within one year		53,541	51,279
- falling due after more than one year		4,553	4,857
Cash at bank and in hand		6,702	13,688
		<u>75,233</u>	<u>86,399</u>
CREDITORS: amounts falling due within one year	10	73,964	82,402
		<u>73,964</u>	<u>82,402</u>
Net current assets		<u>1,269</u>	<u>3,997</u>
Total assets less current liabilities		67,735	74,745
CREDITORS: amounts falling due after more than one year	11	(27,053)	(34,857)
		<u>40,682</u>	<u>39,888</u>
CAPITAL AND RESERVES:			
Called up share capital	12	5,350	5,350
Share Premium	13	32,700	32,700
Capital Reserve	13	1,731	1,731
Profit and loss account	13	901	107
EQUITY SHAREHOLDERS' FUNDS		<u>40,682</u>	<u>39,888</u>

Approved by the Board of Directors on 3 December 1998.

Director
A F PRYOR

Director
H W WARREN

The accompanying notes are an integral part of this balance sheet.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

1. ACCOUNTING POLICIES

a) Accounting Convention

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

b) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold Buildings	5 - 25 years
Plant and Machinery	7 years
Tools and Equipment	4 years

Freehold land is not depreciated

c) Stocks

Stocks are stated at the lower of cost (on a first in first out basis) and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Long-term contracts

Contracts are deemed long term if they provide for payments on account, which is generally those contracts which extend for more than three months.

The sales value of long-term contracts is apportioned between the variable element and the contribution to fixed overhead costs. Turnover is recognised on the variable element as work progresses and on the fixed overhead cost element in accordance with the timetable implicit within the contract. Turnover is recognised on variations to the work scope from such contracts only after they have been agreed with the customer.

Work in progress on long-term contracts is stated at the value of turnover recognised (which includes, where appropriate, an element of profit) less provision for all known expected losses and is shown as amounts recoverable on contracts.

Profit earned on long-term contracts is recognised when forecast profitability of the contract can be estimated with reasonable confidence.

Cash received on account of long-term contracts is deducted from amounts recoverable on contracts. Receipts in excess of amounts recoverable are shown as progress claims. Contract provisions in excess of amounts recoverable are included in accruals.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

e) Short-term contracts

Work in progress on short-term contracts is stated at the lower of cost and the proportion of sale price earned to date; cost includes materials, labour and overheads, allocated by reference to actual levels of activity.

Turnover is recognised as work progresses but profit is only recognised on completion of the work.

f) Leased Assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

g) Corporation tax

Corporation tax payable is provided on taxable profits at the current rate.

Advanced corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

h) Pension Contributions

The cost of providing benefits under the Company's pension scheme is charged over the remaining working lives of the members. On the advice of an independent qualified actuary, contribution payments are made to ensure that the scheme's assets are sufficient to cover future liabilities.

i) Goodwill

Goodwill, being the difference between the amount paid on the acquisition of a business and the aggregate fair value of its identifiable net assets, is netted off directly against reserves.

Negative goodwill is credited to capital reserves.

2. TURNOVER

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of VAT.

In the opinion of the Directors, the classes of business in which the Company operates do not differ substantially from each other. No segmental analysis is provided. All turnover is generated in the UK.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

3. OPERATING PROFIT

	31 December 1997	31 March 1997
a) Operating profit is stated after charging:		
	£'000	£'000
Depreciation	5,359	6,110
Operating lease rentals - hire of plant and machinery	155	35
Auditors' remuneration - Audit services	145	6
- Non audit	-	1
Directors' remuneration (Note 3b)	245	10
Employee costs (Note 3c)	66,833	85,579

Administration and distribution costs are included in cost of sales as they are fully recoverable under contractual terms with the Company's principal customer.

	31 December 1997	31 March 1997
b) Directors' remuneration:-	£'000	£'000
Emoluments	245	10
	<u>245</u>	<u>10</u>

Directors emoluments for the current period include bonuses paid in respect of year ended March 1997 and bonuses accrued in respect of period ended December 1997.

The remuneration of the highest paid Director was £120,739 (31 March 1997 - £5,500)

Two of the Directors are members of the Company pension scheme (31 March 1997 - Two). Both of these Directors are also members of the Executive pension scheme. Both schemes are defined benefit schemes.

The accrued pension of the highest paid Director assuming no further service was £67,798 (31 March 1997 - £1,585)

The remuneration of executive directors is set by a committee of non executive directors and includes a performance related bonus which depends upon pre set standards of customer satisfaction and financial results. Performance related bonuses are paid in the year after that in which they are earned.

	31 December 1997	31 March 1997
c) Employee costs:	£'000	£'000
Wages and salaries	61,997	74,333
Social security costs	4,798	5,910
Other pension costs	38	5,336
Total employee costs	<u>66,833</u>	<u>85,579</u>

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

The average number of persons employed by the Company during the year was:-		31 December 1997	31 March 1997
		No	No
Industrial (weekly average)		2,193	2,137
Non Industrial (monthly average)		1,768	1,702
		<u>3,961</u>	<u>3,839</u>
4. NET INTEREST PAYABLE		31 December 1997	31 March 1997
		£'000	£'000
Interest payable on bank loans		1,928	99
Interest receivable		(1,370)	(37)
		<u>558</u>	<u>62</u>
5. TAX ON PROFIT ON ORDINARY ACTIVITIES		31 December 1997	31 March 1997
		£'000	£'000
Based on profits for the year:-			
Corporation tax on taxable profits at 31% (31 March 1997 - 33%)		1,915	2,102
Deferred tax (note 9)		1,237	(1,400)
		<u>3,152</u>	<u>702</u>
6. DIVIDENDS		31 December 1997	31 March 1997
		£'000	£'000
On Ordinary shares - interim paid		6,000	-
On Ordinary shares - interim proposed		1,318	-
		<u>7,318</u>	<u>-</u>

The dividend payments equate to £1.3679 per Ordinary share (March 1997 - Nil).

No final dividend for the period ended 31 December 1997 has been proposed by the Directors.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

7. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and machinery £'000	Fixtures fittings, tools and equipment £'000	Total £'000
Cost				
at 1 April 1997	59,313	14,638	2,836	76,787
Additions	-	1,429	459	1,888
Disposals	-	(213)	(614)	(827)
at 31 December 1997	<u>59,313</u>	<u>15,854</u>	<u>2,681</u>	<u>77,848</u>
Depreciation				
at 1 April 1997	4,109	1,890	40	6,039
charge for the year	3,034	1,468	857	5,359
disposals	-	(16)	-	(16)
at 31 December 1997	<u>7,143</u>	<u>3,342</u>	<u>897</u>	<u>11,382</u>
Net book value				
at 31 December 1997	<u>52,170</u>	<u>12,512</u>	<u>1,784</u>	<u>66,466</u>
at 1 April 1997	<u>55,204</u>	<u>12,748</u>	<u>2,796</u>	<u>70,748</u>

8. STOCKS

	31 December 1997 £'000	31 March 1997 £'000
Stocks	5,451	12,474
Work in progress on short term contracts	4,986	4,101
	<u>10,437</u>	<u>16,575</u>

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

9. DEBTORS	31 December 1997 £'000	31 March 1997 £'000
Amounts due within one year:		
Trade debtors	36,963	26,932
Amounts recoverable on contracts	12,224	16,328
Other debtors	235	4,103
Prepayments and accrued income	2,233	832
Amount due from parent Company	1,318	1,279
Pension Prepayment	405	405
Deferred tax asset (note 5)	163	1,400
	<u>53,541</u>	<u>51,279</u>
Amounts due after more than one year:		
Pension Prepayment	4,553	4,857
	<u>4,553</u>	<u>4,857</u>

Included within prepayments is £4,958,000 (31 March 1997 - £5262,000) in respect of pension contribution payments made in advance of their recognition in the profit and loss account. This prepayment is being spread over the remaining service lives of the employees.

	Recognised		Not Recognised	
	31 December 1997 £'000	31 March 1997 £'000	31 December 1997 £'000	31 March 1997 £'000
Deferred Tax Asset				
Depreciation in advance of capital allowances	163	1,400	-	491
Other timing differences	-	-	881	909
	<u>163</u>	<u>1,400</u>	<u>881</u>	<u>1,400</u>

The deferred tax asset represents fixed asset timing differences which are expected to reverse within the next year.

DEVONPORT ROYAL DOCKYARD LTD
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

10. CREDITORS amounts falling due within one year

	31 December 1997 £'000	31 March 1997 £'000
Bank loan (see Note 11)	5,000	5,000
Progress claims in excess of work in progress valuation	15,018	17,394
Trade creditors	24,883	37,787
Corporation tax payable	1,915	3,987
Other taxes and social security costs	499	2,819
Other creditors	1,500	1,500
Accruals	22,666	12,750
Amount due to other group undertakings	760	760
Amount due to parent undertaking	1,318	-
Deferred Income	405	405
	<u>73,964</u>	<u>82,402</u>

Midland Bank plc have a fixed charge over the Company's debts.

11. CREDITORS amounts falling due after more than one year.

	31 December 1997 £'000	31 March 1997 £'000
Loans	22,500	30,000
Deferred Income	4,553	4,857
	<u>27,053</u>	<u>34,857</u>

The bank loans of £27,500,000 (31 March 1997 - £35,000,000) are at 0.75% p.a. above LIBOR and are repayable in instalments of £2,500,000 six monthly. An additional advance repayment of £5,000,000 was made in September 1997.

Midland Bank plc have a fixed charge over the Company's debts.

Included in deferred income is £4,958,000 in respect of revenue from the Ministry of Defence which will be released in line with the amortisation of the pension prepayment (note 9).

The shareholders of the parent company have guaranteed the bank borrowings.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

12. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31 December 1997	31 March 1997	31 December 1997	31 March 1997
	No	No	No	No
Ordinary shares at £1 each	5,350,001	5,350,001	5,350,001	5,350,001
Special share of £1	1	1	1	1
	<u>5,350,002</u>	<u>5,350,002</u>	<u>5,350,002</u>	<u>5,350,002</u>

The special share, issued to the Secretary of State for Defence, has rights attaching that effectively give him the power, under certain extreme circumstances set out in the Company's Articles of Association, to overrule the votes of the ordinary shares. In all other respects both classes of shares rank pari passu.

**13. RECONCILIATION OF SHAREHOLDERS FUNDS
AND MOVEMENTS ON RESERVES**

	Share Capital	Profit and Loss Account	Capital Reserve	Share Premium	Total Shareholder Funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 1997	5,350	107	1,731	32,700	39,888
Retained profit for year	-	794	-	-	794
Balance at 31 December 1997	<u>5,350</u>	<u>901</u>	<u>1,731</u>	<u>32,700</u>	<u>40,682</u>

The Capital Reserve, which is non distributable, has arisen on the transfer of all trading assets and liabilities of Devonport Management Limited.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

14. PENSION SCHEME

The Group operates a defined benefit pension scheme which is funded by the payment of contributions to a fund administered by Devonport Royal Dockyard Pensions Scheme.

The latest actuarial assessment of the scheme was at 31 December 1995. The actuarial method adopted was the projected unit credit method and the principal assumptions used were as follows:

Investment return	9% per annum
Salary increases	7% per annum
RPI increases	5.5% per annum
Dividend Growth	5% per annum

The level of funding, being the actuarial value of assets expressed as a percentage of the benefits accrued to members after allowing for further salary increases was 105%.

This assessment revealed that there was a surplus of £63 million. The market value of the assets of the scheme at the date of the assessment was £406 million.

The actuary recommended that the contribution rate be reduced from 9% to zero for a period of six years due to the large surplus, and the reduction in contributions will take place from 1 April 1997.

A review under SSAP 24 was also carried out for the year ended 31 March 1997. A 'best estimate' basis was adopted, which is different to the basis used by the group for Funding purposes. The following main assumptions were adopted:

Investment return	9.5% per annum
Salary Increase	6.5% per annum
RPI increases	5.5% per annum
Dividend Growth	5.5% per annum

The level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members after allowing for further salary increases was 131%.

This review revealed a surplus of £97 million and the value of the schemes assets at 31 March 1996 were assessed as £411 million.

The results of the SSAP 24 calculations indicate that the variation in cost, due to the surplus, is greater than the regular cost and therefore the Company pension cost for the year ended 31 March 1997 is nil.

No contributions have therefore been charged to the Profit and Loss accounts for the year in accordance with the SSAP 24 recommendations, contributions paid have been included as a pension prepayment and disclosed in debtors (note 9).

In his budget of 2 July 1997 the Chancellor of the Exchequer announced that the tax credits on dividends from UK equity shares would be discontinued with immediate effect for UK pension funds. The abolition of tax credits will reduce the expected income from UK equities and could, given the current actuarial methodologies, have adverse consequences for the financing of UK occupational pension schemes. The Scheme Actuary has confirmed that there is no need for any immediate increase in the current contribution rate and that the issue will be addressed at the next actuarial valuation as at 31 December 1998.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 December 1997

15. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the Company had a commitment under non-cancellable operating leases to pay in the next year the following amounts.

	31 December 1997 £'000	31 March 1997 £'000
Operating leases for plant and equipment which expire within 1 year	-	112
In second to fifth year	<u>356</u>	<u>-</u>
	<u>356</u>	<u>112</u>

Under the Assets Sale Agreement with the Secretary of State of Defence, the Company is committed to expend monies maintaining and replacing strategic assets. The amount is limited to £20 million in a financial year or £75 million over 5 years. This has not been provided for in the accounts.

16. PARENT UNDERTAKING

The Company's ultimate parent is Halliburton Company (incorporated in the state of Delaware, USA). The financial statements of this Company are available to the public and can be obtained from Brown & Root Ltd, Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL.

The Company's immediate parent undertaking is Dorhold Limited which is incorporated in England and Wales. Copies of Group accounts which include the Company are available from Devonport Royal Dockyard, Plymouth, PL1 4SG.

17. RELATED PARTY TRANSACTIONS

As a subsidiary of Dorhold Ltd, the Company has taken advantage of the exemption in FRS 8 'Related Party Transactions' not to disclose transactions with other members of the group headed by Dorhold Ltd.

18. CASH FLOW

The Company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of Dorhold Ltd.