

DEVONPORT ROYAL DOCKYARD LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999



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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
	D A M Dunbar	
	I P Tyler	
	T M Noble	
	A Rose	
	I Boyd	

Secretary: H W Warren

Auditors: Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Bankers: HSBC Bank plc
Business Banking Centre
69 Pall Mall
London
SW1Y 5EZ

Registered Office: Devonport Royal Dockyard
Devonport
Plymouth
PL1 4SG

Registered Number: 2077752

DEVONPORT ROYAL DOCKYARD LIMITED
DIRECTORS' REPORT
for the year ended 31 December 1999

The Directors submit their report and accounts for the year ended 31 December 1999.

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 of Dorhold Limited, the parent company.

Results and Dividends

The trading profit for the year after taxation was £13,148,000 (December 1998 - £11,572,000). Interim dividends of £8,600,000 were paid during the year (31 December 1998 -£7,500,000). A final dividend has not been proposed (1998 - Nil).

Directors

The Directors who served during the year were as follows:-

A F Pryor	Chairman
Dr D E Gilbert CBE	Chief Executive
H W Warren	Finance Director
D A M Dunbar	
Sir Ronald Garrick	(resigned on 31 January 1999)
I P Tyler	
T M Noble	
A J Fetterman	(resigned 18 November 1999)
A Rose	(appointed 1 July 1999)
I Boyd	(appointed 1 July 1999)

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 company 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, 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 year amounting to £4,713 (31 December 1998 - £2,269).

DEVONPORT ROYAL DOCKYARD LIMITED
DIRECTORS' REPORT
for the year ended 31 December 1999

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 year ended 31 December 1998 were 28.0 days (31 December 1998 – 29.0 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

The Group has incurred expenditure of £1,054,000 on year 2000 issues up to 31 December 1999 and is forecasting further expenditure of £3000 in 2000.

Throughout the year and since the year-end there have been further activities to ensure all business critical systems are year 2000 compliant. No problems arising from the "millennium bug" have been identified to date.

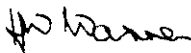
Employment of Disabled Persons

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. The Group also operates a suggestions scheme, encouraging employees to put forward ideas with a view to reducing costs and improving efficiency.

BY ORDER OF THE BOARD



H W WARREN
Secretary

Date: 6/4/2000

AUDITORS' REPORT
To the Shareholders of Devonport Royal Dockyard Limited.

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom Law and Accounting Standards.

Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 1999 and of its profit for the year 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:

6 April 2000

DEVONPORT ROYAL DOCKYARD LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

	Notes	31 December 1999 £'000	31 December 1998 £'000
Turnover	2	335,873	262,963
Cost of sales		(316,427)	(246,358)
		<hr/>	<hr/>
Operating profit	3	19,446	16,605
Loss on disposal of tangible fixed assets		(807)	(419)
Net interest receivable/(payable)	4	68	54
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,707	16,240
Taxation on profit on ordinary activities	5	(5,559)	(4,668)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,148	11,572
DIVIDENDS	6	(8,600)	(7,500)
		<hr/>	<hr/>
RETAINED PROFIT for the year	14	4,548	4,072
RETAINED PROFIT brought forward	14	4,973	901
		<hr/>	<hr/>
RETAINED PROFIT carried forward	14	9,521	4,973
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 7 to 15 are an integral part of this profit and loss account.

The movement in reserves is given in note 14 to the accounts.

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

DEVONPORT ROYAL DOCKYARD LIMITED
BALANCE SHEET
as at 31 December 1999

	Notes	31 December 1999 £'000	31 December 1998 £'000
FIXED ASSETS			
Tangible assets	7	62,407	63,184
		<hr/>	<hr/>
		62,407	63,184
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	8	9,170	10,518
Debtors:	9		
- falling due within one year		60,045	56,150
- falling due after more than one year		3,743	4,148
Cash at bank and in hand		7,794	4,721
		<hr/>	<hr/>
		80,752	75,537
CREDITORS: amounts falling due within one year	10	(81,929)	(75,959)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(1,177)	(422)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		61,230	62,762
CREDITORS: amounts falling due after more than one year	11	(11,243)	(16,648)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(2,416)	(1,360)
		<hr/>	<hr/>
		47,571	44,754
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	13	5,350	5,350
Share Premium	14	32,700	32,700
Capital Reserve	14	-	1,731
Profit and loss account	14	9,521	4,973
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		47,571	44,754
		<hr/>	<hr/>

Approved by the Board of Directors on
and signed on its behalf by:-

6/4/2000

Director
A F PRYOR



H W Warren

Director
H W WARREN

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

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 impairment, 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.

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.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off in accordance with the accounting standard then in force. As permitted by Financial Reporting Standard 10 the goodwill previously written off, or negative goodwill credited to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Goodwill arising on any future acquisitions will be capitalised on the balance sheet and amortised over its expected useful life.

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 and therefore no segmental analysis has been provided. All turnover is generated in the UK.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

3. OPERATING PROFIT

	31 December 1999 £'000	31 December 1998 £'000
a) Operating profit is stated after charging:		
Depreciation	7,487	7,927
Operating lease rentals - hire of plant and machinery	515	349
Auditors' remuneration - Audit services	147	148
Directors' remuneration (Note 3b)	303	293
Employee costs (Note 3c)	88,470	83,316

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 1999 £'000	31 December 1998 £'000
b) Directors' remuneration:-		
Emoluments	303	293

Directors emoluments include bonuses accrued in respect of the accounting period

The remuneration of the highest paid Director was £180,459 (31 December 1998 - £175,096)

Two of the Directors are members of the Company pension scheme (31 December 1998 - 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 £77,675 (31 December 1998 - £72,411)

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 1999 £'000	31 December 1998 £'000
c) Employee costs:		
Wages and salaries	81,970	77,285
Social security costs	6,323	5,949
Other pension costs	177	82
Total employee costs	88,470	83,316

The average number of persons employed by the Company during the year was:-

	31 December 1999 No	31 December 1998 No
Industrial (weekly average)	1,995	1,988
Non Industrial (monthly average)	1,829	1,808
	3,824	3,796

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

4. NET INTEREST RECEIVABLE/(PAYABLE)

	31 December 1999 £'000	31 December 1998 £'000
Interest payable	(1,003)	(1,804)
Interest receivable	1,071	1,858
	<u>68</u>	<u>54</u>
	=====	=====

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	31 December 1999 £'000	31 December 1998 £'000
Based on profits for the year:-		
Corporation tax on taxable profits		
at 30.25% (31 December 1998 - 31%)	4,383	3,132
Deferred tax (note 11)	1,056	1,523
Prior year adjustment	120	13
	<u>5,559</u>	<u>4,668</u>
	=====	=====

6. DIVIDENDS

	31 December 1999 £'000	31 December 1998 £'000
On Ordinary shares - interim paid	8,600	7,500
	<u>=====</u>	<u>=====</u>

The dividend payments equate to £1.6075 per Ordinary share (31 December 1997 - £1.4019).

No final dividend for the period ended 31 December 1999 has been proposed by the Directors (31 December 1998 - Nil).

7. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and machinery £'000	Fixtures fittings, tools and equipment £'000	Total £'000
Cost				
at 1 January 1999	59,060	18,685	4,563	82,308
Additions	-	3,825	4,330	8,155
Disposals	(795)	(264)	(708)	(1,767)
at 31 December 1999	<u>58,265</u>	<u>22,246</u>	<u>8,185</u>	<u>88,696</u>
Depreciation				
at 1 January 1999	11,225	5,929	1,970	19,124
Charge for the year	3,993	2,518	976	7,487
Disposals	(178)	(116)	(28)	(322)
at 31 December 1999	<u>15,040</u>	<u>8,331</u>	<u>2,918</u>	<u>26,289</u>
Net book value				
at 31 December 1999	<u>43,225</u>	<u>13,915</u>	<u>5,267</u>	<u>62,407</u>
	=====	=====	=====	=====
at 1 January 1999	<u>47,835</u>	<u>12,756</u>	<u>2,593</u>	<u>63,184</u>
	=====	=====	=====	=====

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

8. STOCKS	31 December 1999 £'000	31 December 1998 £'000
Stocks	7,904	9,927
Work in progress on short term contracts	1,266	591
	<u>9,170</u>	<u>10,518</u>

9. DEBTORS	31 December 1999 £'000	31 December 1998 £'000
Amounts due within one year:		
Trade debtors	29,970	27,205
Amounts recoverable on contracts	26,808	20,948
Other debtors	-	3,442
Prepayments and accrued income	2,862	2,832
Amount due from parent Company	-	1,318
Pension prepayment	405	405
	<u>60,045</u>	<u>56,150</u>

Amounts due after more than one year:

Pension Prepayment	3,743	4,148
	<u>3,743</u>	<u>4,148</u>

Included within prepayments is £3,743,000 (31 December 1998 - £4,148,000) 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.

HSBC plc have a fixed charge over the company's debts.

10. CREDITORS amounts falling due within one year	31 December 1999 £'000	31 December 1998 £'000
Bank loan (see Note 11)	5,000	5,000
Progress claims in excess of work in progress valuation	17,306	13,818
Trade creditors	29,390	37,134
Corporation tax payable	3,182	3,132
Other taxes and social security costs	3,451	330
Other creditors	1,500	1,500
Accruals	19,346	12,388
Amount due to other group undertakings	2,349	934
Amount due to parent undertaking	-	1,318
Deferred income	405	405
	<u>81,929</u>	<u>75,959</u>

DEVONPORT ROYAL DOCKYARD LTD
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

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

	31 December 1999 £'000	31 December 1998 £'000
Loans	7,500	12,500
Deferred income	3,743	4,148
	<u>11,243</u>	<u>16,648</u>

The bank loans of £12,500,000 (31 December 1998 - £17,500,000) attract an interest rate of 0.75% p.a. above LIBOR and are repayable bi-annually in equal instalments of £2,500,000.

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

Included within total deferred income of £3,743,000 is £3,338,000 which is due after more than one year, in respect of revenue from the Ministry of Defence which will be released in line with the amortisation of the pension prepayment (note 9).

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax Liability £,000			
As at 1 January 1999				1,360
Charged to profit and loss account				1,056
As at 31 December 1999				<u>2,416</u>

	Provided		Unprovided	
	31 December 1999 £'000	31 December 1998 £'000	31 December 1999 £'000	31 December 1998 £'000
Capital allowances in advance of depreciation	2,416	1,360	-	-
Other timing differences	-	-	(657)	(583)
	<u>2,416</u>	<u>1,360</u>	<u>(657)</u>	<u>(583)</u>

The deferred tax liability represents fixed asset timing differences, which are expected to reverse within the foreseeable future.

DEVONPORT ROYAL DOCKYARD LTD
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

13. CALLED UP SHARE CAPITAL

Authorised

	31 December 1999 Number	31 December 1999 £	31 December 1998 Number	31 December 1998 £
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>

Allotted, called up and fully paid

	31 December 1999 Number	31 December 1999 £	31 December 1998 Number	31 December 1998 £
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.

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

	Share Capital £'000	Profit and Loss Account £'000	Capital Reserve £'000	Share Premium £'000	Total Shareholder Funds £'000
Balance at 1 January 1999	5,350	4,973	1,731	32,700	44,754
Retained profit for year	-	4,548	-	-	4,548
Restatement of consideration on purchase	-	-	(1,731)	-	(1,731)
Balance at 31 December 1999	<u>5,350</u>	<u>9,521</u>	<u>0</u>	<u>32,700</u>	<u>47,571</u>

On 13 March 1997, the company purchased assets of fair value of £2,491,000 from Devonport Management Limited, a fellow group undertaking for a consideration of £760,000. A capital reserve of £1,731,000 arose on this transaction.

In the year ended 31 December 1999, a revised agreement between Devonport Royal Dockyard Limited and Devonport Management Limited has been reached whereby the company has agreed to pay a further £1,731,000 for the assets originally transferred.

The total cumulative consideration paid on the transfer of the assets now accurately reflects the fair value of assets acquired and therefore the capital reserve which originally arose on this transaction has been adjusted in the period.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

15. 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. In addition, the Group also operates a defined benefit Executive Pension Scheme which was set up on 1 December 1993 to provide top up benefits to the main pension scheme for key executives. This scheme is separate to the main pension scheme and is governed by its own trust deed, rule and trustees.

The latest actuarial assessments of the schemes were at dates between 31 December 1995 and 31 December 1998. 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	5.5% 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 115%.

This assessment revealed that there was a surplus of £60 million. The market value of the assets of the scheme at the date of the assessment was £576 million.

The actuary recommended that the current contribution rate for the Group Scheme of zero can continue until at least 31 March 2003.

A review under SSAP 24 was also carried out for the year ended 31 December 1999. 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 £111 million and the value of the schemes assets at 31 December 1999 were assessed as £470 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 Group pension cost for the year ended 31 December 1999 is nil.

No contributions have therefore been charged to the Profit and Loss accounts in respect of the Group Scheme for the year in accordance with the SSAP 24 recommendations, contributions paid have been included as a pension prepayment and disclosed in debtors (note 10).

The only pension costs charged to the profit and loss account for the year to 31 December 1999 relate to the employer contributions to the executive pension scheme where the actuary has recommended continued company contributions at a rate of 9.3% of pensionable pay.

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 updated the valuation basis due to the above.

DEVONPORT ROYAL DOCKYARD LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

16. OTHER FINANCIAL COMMITMENTS

At 31 December 1999 the Company had a commitment under non-cancellable operating leases to pay in the next year the following amounts.

	31 December 1999 £'000	31 December 1998 £'000
Operating leases for plant and equipment, which expire:		
- Within one year	-	226
- In second to fifth year	194	-
	<u>194</u>	<u>226</u>

At 31 December 1999, the Company had board approval to expend £10.0 million on fixed assets in future years. This has not been provided for in the accounts.

Under the Assets Sale Agreement with the Secretary of State for 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 five years. This has not been provided for in the accounts.

17. 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 the Dorhold Limited accounts which include the results of the Company are available from Devonport Royal Dockyard, Plymouth, PL1 4SG.

18. 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.

19. 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, which prepares a consolidated cashflow and which includes the cashflow of the company.