

Hawker Siddeley Industries Limited

Report and Accounts

31 March 2000

Company number: 29533



Hawker Siddeley Industries Limited

Registered No. 29533

DIRECTORS

J R W Clayton

A C Cochrane

SECRETARY

Invensys Secretaries Limited

AUDITORS

Ernst & Young

Becket House

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London

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Carlisle Place

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Hawker Siddeley Industries Limited

Registered No. 29533

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Hawker Siddeley Industries Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2000 (1999: 15 month period ended 31 March 1999).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company operates in the Controls sector.

Company development has been satisfactory and is expected to continue to be so.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £1,132,000 (15 month period ended 31 March 1999: £1,508,000). The directors do not recommend the payment of an ordinary dividend (15 month period ended 31 March 1999: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

J C Bays	(appointed 2 July 1999)
D A Cruickshank	(resigned 31 March 2000)
D J Stevens	(resigned 14 May 1999)
J D Thom	

As at 31 March 2000, no director had any interest in the shares of the Company.

Mr J D Thom resigned as a director of the Company on 9 February 2001 and was replaced on that day by Mr J R W Clayton.

Mr J C Bays resigned as a director of the Company on 30 March 2001.

Mr A C Cochrane was appointed as a director of the Company on 2 April 2001.

No director was interested during or at the end of the year in any contract which was significant in relation to the Company's business.

The interests of the directors in the ordinary shares of Invensys plc, the parent undertaking, as at 31 March 2000 and 31 March 1999 were as follows:

	Ordinary 25p shares		Share option scheme Executive		Share option scheme SAYE	
	2000	1999*	2000	1999*	2000	1999*
J C Bays	5,000	-	463,500	370,000	4,484	4,484
D A Cruickshank	6,457	6,457	152,613	152,613	5,413	5,413
J D Thom	153	153	78,341	55,241	5,413	5,413

* or, if later, at date of appointment

Hawker Siddeley Industries Limited

DIRECTORS' REPORT

Changes to options during the year or, if later, since the date of appointment, comprise the following:

	Granted	Exercised	Lapsed
As part of the Executive Scheme:			
J C Bays	93,500	-	-
D A Cruickshank	-	-	-
J D Thom	23,100	-	-

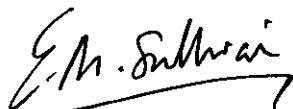
EUROPEAN MONETARY UNION

Following the introduction of the Euro on 1 January 1999, the Invensys Group's operations are able to undertake transactions in the Euro and capture competitive advantages offered by the new currency. The additional costs to Hawker Siddeley Industries Limited arising from the introduction of the Euro are not expected to be significant.

AUDITORS

In accordance with s386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually has been passed. Accordingly Ernst & Young shall be deemed to be reappointed as auditors 28 days after the accounts are sent to the members.

By Order of the Board.



Per pro Invensys Secretaries Limited,
Secretary
Invensys House
Carlisle Place
London
SW1P 1BX

30 APRIL 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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.

Hawker Siddeley Industries Limited

Report of the Auditors to the members of Hawker Siddeley Industries Limited.

We have audited the accounts on pages 8 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 to 11.

Respective responsibilities of directors and auditors

As described on page 6, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

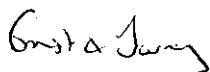
Basis of opinion

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 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

30 April, 2001

Hawker Siddeley Industries Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

		<i>Year ended 15 months to</i>	
		<i>31 March</i>	<i>31 March</i>
		<i>2000</i>	<i>1999</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Turnover	2	10,226	15,131
Cost of sales		(2,273)	(3,926)
Gross profit		7,953	11,205
Distribution costs		(1,581)	(2,732)
Administrative expenses		(4,772)	(7,078)
Restructuring costs	4	(509)	(51)
Operating profit	3	1,091	1,344
Profit on disposal of fixed assets		10	5
Profit on ordinary activities before interest		1,101	1,349
Interest receivable and similar income	7	20	33
Interest payable and similar charges	8	(14)	(5)
Profit on ordinary activities before taxation		1,107	1,377
Taxation	9	25	131
Profit on ordinary activities after taxation		1,132	1,508
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	1,132	1,508

Recognised Gains and Losses

There are no recognised gains or losses other than the profit of £1,132,000 in the year ended 31 March 2000 and the profit of £1,508,000 in the 15 month period ended 31 March 1999.

The notes on pages 10 to 17 form part of these accounts.

Hawker Siddeley Industries Limited

BALANCE SHEET AS AT 31 MARCH 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	10	3,526	3,286
Investments	11	-	-
		<u>3,526</u>	<u>3,286</u>
CURRENT ASSETS			
Stocks	12	988	954
Debtors: amounts falling due within one year	13	154,524	153,962
Cash at bank and in hand		1,181	1,334
		<u>156,693</u>	<u>156,250</u>
CREDITORS: amounts falling due within one year	14	(138,594)	(139,043)
NET CURRENT ASSETS		<u>18,099</u>	<u>17,207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>21,625</u>	<u>20,493</u>
CAPITAL AND RESERVES			
Called up share capital	16	5,000	5,000
Share premium account	17	279	279
Capital reserve	17	1,364	1,364
Profit and loss account	17	14,982	13,850
		<u>21,625</u>	<u>20,493</u>

Approved by the board on 30 April, 2001 and signed on its behalf by:


Director

The notes on pages 10 to 17 form part of these accounts.

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with all applicable UK accounting standards.

As the Company is a wholly owned subsidiary undertaking of Invensys plc, a company registered in England and Wales, which prepares published consolidated financial statements incorporating a consolidated cash flow statement, the Company has, in accordance with Financial Reporting Standard No. 1 "Cash Flow Statements" (revised 1996), not produced a cash flow statement.

The company has taken advantage of the exemption in Financial Reporting Standard No 8: "Related Party Disclosures", concerning transactions with entities that are part of the Invensys group.

New financial reporting standards

(i) Adoption of FRS 15

In February 1999 the Accounting Standards Board issued Financial Reporting Standard No 15: "Tangible Fixed Assets" (FRS 15). The principles relating to directly attributable costs in FRS 15 were taken into account in aligning the accounting policies of BTR plc and Siebe plc when they merged in February 1999 to become Invensys plc and hence, the preparation of the statutory accounts of this company for the year ended 31 March 1999.

(ii) Adoption of FRS 16

In December 1999 the Accounting Standards Board published Financial Reporting Standard No 16: "Current Taxation" (FRS 16). The implementation of FRS 16 in the year ended 31 March 2000 has had no impact on either the current tax charge in the profit and loss account or the provision for current taxation in the balance sheet.

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, excluding value added tax.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end. Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the year are included in the profit and loss account.

Research and development

Research and development expenditure is generally expensed as incurred, except for software development expenditure on defined commercial projects which is included within intangible fixed assets. This is amortised over a period of between three to five years commencing with the commercial production or application of the product.

Pension costs

The expected costs of providing pensions are charged to the profit and loss account so as to spread the costs over the service lives of the participating employees. The costs are assessed in accordance with the advice of actuaries and provision is made in the accounts along with the associated deferred taxation effect.

Depreciation of tangible fixed assets

Tangible fixed assets, are depreciated to their residual values on a straight-line basis over their estimated useful lives at the following rates applied to original cost or subsequent valuation:

Plant and machinery	7.5% - 35%
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Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

1. ACCOUNTING POLICIES (Continued)

Impairment of fixed assets

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable. The discount rate used is the group's pre-tax weighted average cost of capital.

Leased assets

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. Obligations related to finance leases, net of finance charges in respect of future periods, are included, as appropriate within creditors. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to profit and loss account on a straight-line basis.

Investments

The investments in subsidiary undertakings are included at cost less amounts written off and provisions for permanent diminution in value.

Stock

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost comprises the cost of raw materials and an appropriate proportion of labour and overheads. Provision is made for obsolete and slow moving items.

Cash and borrowings

Cash and short-term deposits at the balance sheet date are deducted from bank loans and overdrafts where formal rights of set-off exist.

Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities may crystallise in the foreseeable future.

2. TURNOVER

Turnover is all attributable to the same class of business. Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and arises from goods produced in the United Kingdom.

An analysis of turnover by geographical destination is as follows:

	<i>Year ended 15 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	3,852	5,826
Rest of Europe	1,165	1,732
The Americas	2,808	3,478
Asia Pacific	1,931	3,570
Africa and Middle East	470	525
	<hr/>	<hr/>
	10,226	15,131
	<hr/>	<hr/>

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

3. OPERATING PROFIT

Year ended 15 months to
31 March 31 March
2000 1999
£000 £000

This is stated after charging:

Auditors' remuneration – audit fees	7	20
Depreciation of owned fixed assets	401	724
Research and development expenditure written off	-	378
Operating lease rentals – plant and machinery	28	37
– land and buildings	449	561

4. RESTRUCTURING COSTS

The restructuring costs are related to redundancy costs and set-up costs incurred as a result of the termination of a specific line of meter, the production of which has now been outsourced to India.

5. DIRECTORS' REMUNERATION

None of the directors received any emoluments from the Company during the year (1999: £Nil)

6. EMPLOYEES

Year ended 15 months to
31 March 31 March
2000 1999
£000 £000

Wages and salaries	4,028	5,942
Social security costs	292	463
	<hr/> 4,320	<hr/> 6,405

2000 1999
No. No.

The average weekly number of employees during the year was as follows:

Administration	9	20
Production	249	308
Marketing	20	28
Research and development	16	9
	<hr/> 294	<hr/> 365

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 15 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Bank interest receivable	6	2
Foreign exchange gain	14	31
	<u>20</u>	<u>33</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 15 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
On bank overdrafts	7	2
Foreign exchange loss	7	3
	<u>14</u>	<u>5</u>

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<i>Year ended 15 months to</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
UK Corporation tax at 30% (1999: 31%)	-	-
Adjustment in respect of prior years	(25)	(131)
	<u>(25)</u>	<u>(131)</u>

The credit for the year has been increased by losses surrendered from other group companies for which no payment is required.

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

10. TANGIBLE ASSETS

	<i>Plant and Machinery £000</i>
Cost	
At 1 April 1999	8,065
Additions	645
Disposals	(356)
At 31 March 2000	8,354
Depreciation	
At 1 April 1999	4,779
Additions	401
Disposals	(352)
At 31 March 2000	4,828
Net book value	
At 31 March 2000	3,526
Net book value	
At 31 March 1999	3,286

11. INVESTMENTS

	<i>Shares in Subsidiary Undertaking £000</i>
Cost	
At 1 April 1999 and 31 March 2000	452
Provision	
At 1 April 1999 and 31 March 2000	452
Net book value	
At 1 April 1999 and 31 March 2000	-

Details of the Company's principal subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Crompton Parkinson (Chelmsford) Limited	Ordinary shares	100%	Dormant

Group accounts have not been prepared because the company is a wholly owned subsidiary of Invensys plc, a company registered in England and Wales. As a result, the accounts present information about the company as an individual undertaking and not about its group.

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

12. STOCKS

	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
Raw materials and consumables	264	240
Work in progress	542	578
Finished goods	182	136
	<u>988</u>	<u>954</u>

13. DEBTORS: amounts falling due within one year

	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
Trade debtors	1,410	1,040
Amounts due from parent and fellow subsidiary undertakings	152,793	152,852
Other debtors	16	6
Prepayments	305	64
	<u>154,524</u>	<u>153,962</u>

14. CREDITORS: amounts falling due within one year

	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
Bank loans and overdrafts	191	403
Trade creditors	1,024	1,108
Amounts due to parent and fellow subsidiary undertakings	135,977	136,075
Corporation tax	-	25
Other taxes and social security	96	99
Other creditors	1,294	1,065
Accruals and deferred income	12	268
	<u>138,594</u>	<u>139,043</u>

15. DEFERRED TAXATION

	<i>31 March</i> <i>2000</i> <i>£000</i>	<i>Provided</i> <i>31 March</i> <i>1999</i> <i>£000</i>	<i>Unprovided</i> <i>31 March</i> <i>2000</i> <i>£000</i>	<i>31 March</i> <i>1999</i> <i>£000</i>
Capital allowances	-	-	234	287
At 31 March 2000	<u>-</u>	<u>-</u>	<u>234</u>	<u>287</u>

16. SHARE CAPITAL

	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
Authorised, allotted, called-up and fully paid:		
5,000,000 (1999: 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2000

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital £000</i>	<i>Share Premium Account £000</i>	<i>Capital Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total £000</i>
At 1 January 1998	5,000	279	1,364	12,342	18,985
Retained profit for the period	-	-	-	1,508	1,508
At 1 April 1999	5,000	279	1,364	13,850	20,493
Retained profit for the year	-	-	-	1,132	1,132
At 31 March 2000	5,000	279	1,364	14,982	21,625

18. OTHER FINANCIAL COMMITMENTS

At 31 March 2000 the company had commitments under operating leases to make payments in the year to 31 March 2001 under agreements expiring as below:

	<i>2000 Land and Buildings £000</i>	<i>1999 Land and Buildings £000</i>
In over 5 years	449	449

19. CONTINGENT LIABILITIES

The company has cross guarantee arrangements guaranteeing the bank overdrafts of certain other Invensys companies.

In accordance with provisions contained in the Value Added Tax Act 1983, the company has entered into a joint and several guarantee for Group Registrations.

The company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

20. PENSIONS

From 6 April 2000 the UK employees of Hawker Siddeley Industries Limited are eligible for membership of the Invensys Pension Scheme, which arose from the merger of the BTR Group Pension Scheme and the Siebe Pension Scheme at that date. The Invensys Pension Scheme and its predecessors are funded defined benefit schemes. Contributions are made in accordance with the recommendations of independent actuaries based on pension costs across the eligible group.

The last valuations of the schemes were carried out as at 5 April 1997 by independent actuaries using the projected unit method. The actuarial surplus identified is being spread over the average remaining service lives of the current employees. Further details of the valuation are included in the accounts of Invensys plc, the ultimate parent undertaking of Hawker Siddeley Industries Limited.

NOTES TO THE ACCOUNTS
AS AT 31 MARCH 2000

21. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary undertaking of Invensys plc, a company registered in England and Wales, which prepares published consolidated financial statements, the Company has pursuant to paragraph 17 of Financial Reporting Standard No. 8 "Related Party Disclosures" not included details of transactions with other companies which are subsidiaries of the Invensys Group. There are no other related party transactions.

22. IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking of Hawker Siddeley Industries Limited is Hawker Siddeley Management Limited, a company registered in England and Wales.

23. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Hawker Siddeley Industries Limited is Invensys plc, a company registered in England and Wales. Copies of the accounts of Invensys plc, the only group preparing group accounts which include Hawker Siddeley Industries Limited can be obtained from the Company Secretarial Department, Invensys plc, Invensys House, Carlisle Place, London, SW1P 1BX.