

**Company Registration No. 00370559**

**Hawker Siddeley Switchgear Limited**

**Annual Report and Financial Statements**

**31 December 2010**

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# **Hawker Siddeley Switchgear Limited**

## **Report and Financial Statements Year ended 31 December 2010**

### **Officers and professional advisers**

#### **Directors**

G P Martin

S A Peckham

G E Barnes

A G Peart

M J Richards

G D Morgan

R P Graham-Adrian (resigned 30 June 2010)

#### **Secretary**

G E Barnes

#### **Registered Office**

Precision House

Arden Road

Alcester

Warwickshire

B49 6HN

#### **Chartered Accountants and Statutory Auditor**

Deloitte LLP

Chartered Accountants

Cardiff, United Kingdom

# **Hawker Siddeley Switchgear Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

### **Principal activity and review of the business**

The Company's principal activity is that of the assembly of indoor and outdoor switchgear and circuit breakers and power infrastructure equipment. The Directors do not expect any change in this activity in the foreseeable future.

Turnover for the year ended 31 December 2010 was £44,839,000 (year ended 31 December 2009 £40,845,000)

The operating profit for the year ended 31 December 2010 was £6,664,000 (year ended 31 December 2009 profit of £4,906,000)

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2009 £nil)

Investment income relating to dividends from the associated undertaking for the year was £285,000 (year ended 31 December 2009 £196,000)

The Directors are satisfied with the performance of the Company for the financial year and are confident that it will remain profitable in the future.

The Key Performance Indicators (KPIs) for the Company are in line with the KPIs of the Melrose Group, of which the Company is a trading subsidiary. The primary KPIs relate to revenue growth, operating margin growth and the conversion of operating profits into cash.

### **Going concern**

The Directors have considered the going concern assumption given the current economic climate and have reviewed the Company forecast for the foreseeable future. After making enquiries and considering the above facts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **Financial risk management and policies**

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

The Company's products and manufacturing processes require a variety of raw materials. Any increase or volatility in the price of these commodities and energy, together with shortages in supply, can affect the Company's performance. Purchasing policies and practices take this into account and seek to mitigate the dependence on any single item or supplier where practicable.

#### **Credit risk**

The Company's principal financial assets are bank balances and cash and trade and other receivables (including receivables from other Group undertakings).

The Company's credit risk is primarily attributable to its trade receivables and receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies.

In addition to the above, the Company's involvement in global markets creates an exposure to other risk factors that are both external and internal to the Company. These risks include, but are not limited to, failure to comply with legislative and regulatory requirements including environmental and litigation risk, equipment failures, business continuity and the actions of competitors and customers, including credit risk. The Company has, as previously described, implemented risk controls and loss mitigation plans but cannot give absolute assurance that such procedures will be effective in identifying or controlling each of the operational risks faced by the Company.

# **Hawker Siddeley Switchgear Limited**

## **Directors' report (continued)**

### **Directors and their interests**

The Directors who served during the year ended 31 December 2010 and thereafter are listed under 'Officers and professional advisers'. No Director had any interests in the shares of the Company at 31 December 2010.

### **Directors' liabilities**

The ultimate parent undertaking has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and at the date of this report.

### **Supplier payment policy**

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. Trade creditors of the Company at 31 December 2010 were equivalent to 58 days purchases (year ended 31 December 2009: 50 days), based on the average daily amount invoiced by suppliers during the year.

### **Employment policies**

The Company has developed a wide range of voluntary practices and procedures for employee involvement. The Company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing the individual business in which the employee works.

It is Company policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged.

It is the policy of the Company to give full and fair consideration to applications made by disabled persons for job vacancies, where particular job requirements are within their ability and, where possible, arrangements are made for the continuing employment of employees who have become disabled.

### **Research and development**

Product development and innovation is a continuous process. The Company has committed additional resources to the development of new products to enhance the organic growth of the business. The Company incurred research and development costs of £293,000 during the year (year ended 31 December 2009: £356,000).

### **Charitable and political donations**

During the year the Company donated £nil for charitable purposes (year ended 31 December 2009: £nil). No political donations were made during the year (year ended 31 December 2009: £nil).

### **Auditor**

Each of the persons who is a Director at the date of approval of this report confirms that  
so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware,  
and  
the Directors have taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as auditor and will be deemed to be re-appointed after the end of the next "period for appointing auditors" as defined in s485(2) of the Companies Act 2006.

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



G E Barnes  
Director  
31 August 2011

## **Hawker Siddeley Switchgear Limited**

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Switchgear Limited**

### **Independent auditor's report to the members of Hawker Siddeley Switchgear Limited**

We have audited the financial statements of Hawker Siddeley Switchgear Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Hawker Siddeley Switchgear Limited**

### **Independent auditor's report to the members of Hawker Siddeley Switchgear Limited (continued)**

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**John Antoniazzi (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Cardiff, United Kingdom  
31 August 2011

## Hawker Siddeley Switchgear Limited

### Profit and Loss Account Year ended 31 December 2010

		Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
	Note		
Turnover	2	44,839	40,845
Cost of sales		(33,598)	(30,724)
<b>Gross profit</b>		<b>11,241</b>	<b>10,121</b>
Other operating expenses	5	(4,577)	(5,215)
<b>Operating profit</b>		<b>6,664</b>	<b>4,906</b>
Investment income	3	285	196
Finance income	4	81	63
<b>Profit on ordinary activities before taxation</b>	5	<b>7,030</b>	<b>5,165</b>
Tax on profit on ordinary activities	8	-	170
<b>Profit for the financial year</b>	16	<b>7,030</b>	<b>5,335</b>

The above results derive from continuing operations

There are no recognised gains and losses in either year other than the profit and loss result for that year




# Hawker Siddeley Switchgear Limited

## Balance Sheet

As at 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
<b>Fixed Assets</b>			
Tangible assets	9	1,604	1,552
Investments	10	4,233	3,349
		<u>5,837</u>	<u>4,901</u>
<b>Current Assets</b>			
Stocks	11	4,596	4,423
Debtors	12	50,370	19,825
Cash at bank and in hand		3,397	4,801
		<u>58,363</u>	<u>29,049</u>
<b>Creditors</b> amounts falling due within one year	13	(34,127)	(11,339)
<b>Net current assets</b>		<u>24,236</u>	<u>17,710</u>
<b>Total assets less current liabilities</b>		<u>30,073</u>	<u>22,611</u>
<b>Provisions for liabilities</b>	14	(2,090)	(1,658)
<b>Net assets</b>		<u>27,983</u>	<u>20,953</u>
<b>Capital and reserves</b>			
Called-up share capital	15	1,550	30,015
Share premium account	16	-	1,535
Profit and loss account	16	26,433	(10,597)
<b>Shareholders' funds</b>	16	<u>27,983</u>	<u>20,953</u>

The financial statements of Hawker Siddeley Switchgear Limited (registered number 00370559) were approved by the Board of Directors and authorised for issue on 31 August 2011  
Signed on Behalf of the Board of Directors



G E Barnes  
Director

# **Hawker Siddeley Switchgear Limited**

## **Notes to the financial statements**

**Year ended 31 December 2010**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Directors' report.

The company has taken advantage of the exemption from preparing group financial statements afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary undertaking of Melrose PLC, which prepares consolidated financial statements which are publicly available.

#### **Going concern**

The Directors have considered the going concern assumption given the current economic climate and have reviewed the Company forecast for the foreseeable future. After making enquiries and considering the above facts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Statement of Cash Flow**

Under the provisions of FRS 1 "Cash Flow Statements" (Revised 1996), the Company has not prepared a statement of cash flows because its ultimate parent undertaking, Melrose PLC, has prepared consolidated financial statements which include the financial statements of the Company and which contain a Statement of Cash Flows.

#### **Research and development costs**

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that is recognisable, and where it is the intention to produce, market or execute the project, and a correlation also exists between the costs incurred and future benefits and those costs can be measured reliably. Capitalised expenses are expensed on a straight-line basis over their useful lives. Costs not meeting such criteria are expensed as incurred.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets 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:

Plant and equipment

3 to 15 years

#### **Investments**

The Company's investment in shares in Group companies are stated at cost less provision for impairments in value. Income received from investments is credited to the Profit and Loss Account on a receivables basis.

#### **Associates**

In the financial statements investments in associates are accounted for at costs, less any amounts written off.

#### **Stocks and works in progress**

Stocks are stated at the lower of cost or net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises the actual cost of raw materials and direct labour and an appropriate 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.

# **Hawker Siddeley Switchgear Limited**

## **Notes to the financial statements**

**Year ended 31 December 2010**

### **1 Accounting policies (continued)**

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis

#### **Turnover**

Turnover comprises the invoiced value of goods and services supplied by the Company exclusive of value added taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods

Revenue from servicing and repair of assets which remain the property of their owners during the work is recognised over the period in which the service is provided

#### **Defined benefit pension scheme**

The Company participates in a defined benefit pension scheme, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. The Company's contributions are affected by the surplus/deficit in the scheme. However, it is not possible to identify the Company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis

Therefore, in accordance with the FRS 17 multi-employer exemption, the scheme is accounted for as if it were a defined contribution scheme. For defined contribution schemes the amount charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet

The latest available information relating to the scheme and the implications for the Company are detailed in the notes to the financial statements

#### **Foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount on the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair values were determined

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements

Year ended 31 December 2010

### 1 Accounting policies (continued)

#### Operating leases

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term

### 2 Segment information

Turnover and profit before taxation are derived from a single business segment, being the principal activity of the Company

An analysis of turnover by geographical market is given below

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
United Kingdom	32,784	30,881
Rest of Europe	1,771	1,305
North America	5,239	3,086
Rest of world	5,045	5,573
	<u>44,839</u>	<u>40,845</u>

### 3 Investment income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Dividends received from associated undertaking	285	196
	<u>285</u>	<u>196</u>

### 4 Finance income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Interest receivable and similar income</b>		
Loans and receivables	-	48
Loans to fellow Group undertakings	80	15
Bank interest	1	-
	<u>81</u>	<u>63</u>

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 5 Profit on ordinary activities before taxation

This is stated after charging

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Depreciation of owned tangible fixed assets	272	268
Research and development current costs	293	356
Operating lease rentals - plant and machinery	179	168
Operating lease rentals - other	472	448
	<hr/>	<hr/>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	23	23
	<hr/>	<hr/>

Profit on ordinary activities before taxation includes £1,386,000 of distribution costs (year ended 31 December 2009 £1,437,000) and administration costs of £3,191,000 (year ended 31 December 2009 £3,778,000)

### 6 Staff costs

The average monthly number of employees (including Directors) was

	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number
Production	214	217
Distribution	16	21
Administration	49	55
	<hr/>	<hr/>
	279	293
	<hr/>	<hr/>

The aggregate remuneration comprised

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Wages and salaries	7,261	7,176
Social security costs	605	570
Defined benefit pension costs	512	508
	<hr/>	<hr/>
	8,378	8,254
	<hr/>	<hr/>

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 7 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2009 £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group. The Directors' services to the Company do not occupy a significant amount of their time. As such, the Directors do not consider that they have received any remuneration for their incidental services to the Company for the year ended 31 December 2010 or the year ended 31 December 2009.

### 8 Tax on ordinary activities

The tax credit comprises

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Current tax</b>		
UK corporation tax	-	-
Withholding taxes	-	(14)
<b>Total current tax credit</b>	-	(14)
<b>Deferred tax</b>	-	(156)
<b>Total current tax credit</b>	-	(170)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before taxation is as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Profit on ordinary activities before taxation</b>	7,030	5,165
Tax on profit on ordinary activities before taxation at standard UK corporation tax rate of 28% (31 December 2009: 28%)	1,968	1,446
Effects of:		
Expenses not deductible for tax purposes	18	20
Depreciation in excess of capital allowances	3	5
Other timing differences	6	30
Utilisation of tax losses	-	(129)
Group relief claimed at nil consideration	(1,995)	(1,372)
Withholding taxes	-	(14)
<b>Current tax credit</b>	-	(14)

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 9. Tangible fixed assets

	Plant and equipment £'000	Total £'000
<b>Cost</b>		
At 1 January 2010	11,689	11,689
Additions	324	324
Disposals	(1,487)	(1,487)
At 31 December 2010	10,526	10,526
<b>Depreciation</b>		
At 1 January 2010	(10,137)	(10,137)
Charge for the year	(272)	(272)
Disposals	1,487	1,487
At 31 December 2010	(8,922)	(8,922)
<b>Net book value</b>		
At 31 December 2010	1,604	1,604
At 31 December 2009	1,552	1,552

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 10. Investments

	Investment in Subsidiary £'000	Investment in associate £'000	Total £'000
<b>Cost</b>			
At 1 January 2010	25,458	102	25,560
Additions	905	-	905
Share of post-tax results	-	285	285
Dividends received	-	(285)	(285)
Exchange adjustments	(21)	-	(21)
At 31 December 2010	26,342	102	26,444
<b>Provision for impairment</b>			
At 1 January 2010 and 31 December 2010	(22,109)	(102)	(22,211)
<b>Net book value</b>			
At 31 December 2010	4,233	-	4,233
At 31 December 2009	3,349	-	3,349

The Company has investments in the following subsidiary undertakings and associates

Name	Nature of business	Country	Holding
<b>Subsidiary undertakings</b>			
Brush Switchgear Limited	Dormant	Great Britain	100%
Bristol Mec Australasia Pty Limited	Holding	Australia	100%
Hawker Siddeley Switchgear Pty Limited	Manufacturing	Australia	100%
<b>Associates</b>			
Mediterranean Power SA	Manufacturing	Malta	26% *

\* Ordinary 'A' Shares

Investments in subsidiaries includes £1,342,000 comprising loan amounts advanced on a long term basis to fellow Group undertakings relating to the financing of FKI Switchgear (Shanghai) Co Limited



# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 11 Stocks

	31 December 2010 £'000	31 December 2009 £'000
Raw materials and consumables	1,866	1,844
Work in progress	2,730	2,579
	<u>4,596</u>	<u>4,423</u>

There is no material difference between the Balance Sheet value of stocks and their replacement cost

### 12 Debtors

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due within one year		
Trade debtors	5,959	5,515
Amounts owed by fellow Group undertakings	44,327	14,218
Prepayments and accrued income	84	92
	<u>50,370</u>	<u>19,825</u>

### 13 Creditors-amounts falling due within one year

	31 December 2010 £'000	31 December 2009 £'000
Bank loans and overdrafts	102	65
Trade creditors	5,331	4,194
Amounts owed to fellow Group undertakings	25,013	2,891
Other taxation and social security	241	179
Accruals and deferred income	3,440	4,010
	<u>34,127</u>	<u>11,339</u>

# **Hawker Siddeley Switchgear Limited**

## **Notes to the financial statements Year ended 31 December 2010**

### **14 Provisions for liabilities**

	<b>Warranty provision £'000</b>	<b>Total £'000</b>
At 1 January 2010	1,658	1,658
Charged to Profit and Loss Account	996	996
Utilisation of provision	(564)	(564)
At 31 December 2010	<u>2,090</u>	<u>2,090</u>

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 15 Called-up share capital

	31 December 2010 £'000	31 December 2009 £'000
Allotted, called-up and fully-paid		
6,200,000 Ordinary Shares of 25 pence each	1,550	-
120,062,000 Ordinary Shares of 25 pence each	-	30,015
	<u>1,550</u>	<u>30,015</u>

### 16 Reconciliation of movements in shareholders funds

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	30,015	1,535	(10,597)	20,953
Reduction in share capital transferred to reserves	(28,465)	(1,535)	30,000	-
Result for the year	-	-	7,030	7,030
At 31 December 2010	<u>1,550</u>	<u>-</u>	<u>26,433</u>	<u>27,983</u>

During the year a special resolution was passed to reduce share capital by 113,862,000 Ordinary Shares of 25 pence each and that such reduction of capital be effected by transferring the amount of £28,465,000 to the Company's realised profit. The same resolution also resulted in the reduction of the share premium account by £1,535,000 which was also transferred to realised profit.

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 17 Retirement benefit schemes

The Company is a participating employer in FKI UK Pension Plan, which is now closed. Melrose PLC holds a deed of guarantee with FKI UK Pension Trust Limited, the trustee of the FKI UK Pension Plan, pursuant to which Melrose PLC guaranteed the obligations of the Participating Employers, to contribute £18.5 million to the FKI UK Pension Plan per annum from 1 July 2010 until 1 October 2017. Melrose PLC has agreed to indemnify the trustee against all costs, losses or liabilities from the failure by the Participating Employers to make the Guaranteed Contributions.

The Company participates in a Group defined benefit scheme. It is not possible to identify the Company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 17 paragraph 9 (b) (multi-employer exemption), the scheme is accounted for as if it were a defined contribution scheme.

Contributions to this scheme in the year amounted to £512,000 (year ended 31 December 2009: £508,000). The valuation of the Group scheme shows the following deficit: UK Group scheme £78,549,000 (year ended 31 December 2009: £110,095,000).

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the Balance Sheet of the Company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other Group companies which also participate in the scheme. It has not been possible to identify the share of the deficit which relates solely to Hawker Siddeley Switchgear Limited.

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by the independent actuaries based on the expected long term rate of return on the scheme assets.

The assets in the scheme and the expected rates of return at 31 December 2010 were:

	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	Long term rate of return expected %	Value £'000	Long term rate of return expected %	Value £'000
Equities	8.50	194,625	8.50	183,928
Debt instruments	4.60	342,400	4.97	314,140
Other assets	3.33	12,300	3.53	10,694
Total fair value of scheme assets		549,325		508,762
Present value of scheme liabilities		(627,874)		(618,857)
Deficit in scheme		(78,549)		(110,095)

The figures above were calculated on the basis of the following assumptions:

	31 December 2010	31 December 2009
	%	%
Discount rate	5.55	5.75
Expected rate of salary increases	4.00	3.95
Future pension increases	3.30	3.30
Inflation	3.45	3.45

Movements in the present value of defined benefit obligations were as follows:

	31 December 2010	31 December 2009
	£'000	£'000
At 1 January 2010	(618,857)	(520,300)
Service cost	(3,517)	(5,057)
Interest cost	(35,000)	(32,200)
Contributions from scheme members	-	(1,900)
Actuarial losses	(8,600)	(85,500)
Benefits paid	25,000	26,100
Gains on curtailment	13,100	-
At 31 December 2010	(627,874)	(618,857)
Experience adjustments on scheme liabilities	1%	14%

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 17 Retirement benefit schemes (continued)

Movements in the value of scheme assets were as follows

	31 December 2010 £'000	31 December 2009 £'000
At 1 January 2010	508,762	462,700
Expected return on plan assets	29,600	26,920
Actuarial gains	17,600	25,400
Member company contributions	18,363	17,942
Contributions from scheme members	-	1,900
Benefits paid	(25,000)	(26,100)
At 31 December 2010	549,325	508,762
Experience adjustments on scheme assets	3%	5%
Net deficit in scheme	(78,549)	(110,095)

### Mortality assumptions

The mortality assumptions for the plan at 31 December 2010 are based on 90% of the heavy Self Administered Pension Scheme (SAPs) tables, reflecting the scheme membership being largely employed in the industrial sector. Future improvements are in line with 80% (60% for women) of the long cohort, subject to a minimum underpin of 1% p.a.

The assumed life expectancy on retirement at age 65 are

	31 December 2010	31 December 2009
Retiring today		
Males	85.20	85.10
Females	88.60	88.50
Retiring in 15 years		
Males	87.70	86.70
Females	90.90	89.90

The remaining known history of experience adjustments is as follows

	31 December 2008 £'000
Present value of defined benefit obligations	(520,300)
Fair value of scheme assets	462,700
Net (deficit)/surplus	(57,600)
Experience adjustments on scheme liabilities	(2,400)
Experience adjustments on scheme assets	(58,200)

# Hawker Siddeley Switchgear Limited

## Notes to the financial statements Year ended 31 December 2010

### 18 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	31 December 2010 £'000	31 December 2009 £'000
Operating leases which expire		
After five years	433	425
	<u>433</u>	<u>425</u>
	Other	
	31 December 2010 £'000	31 December 2009 £'000
Operating leases which expire		
Within one year	4	12
Between two and five years	201	138
	<u>205</u>	<u>150</u>

### 19 Contingent Liabilities

The Company has provided unlimited and multilateral guarantees to Lloyds TSB Bank plc as agent in respect of the bank loans and overdrafts of its ultimate parent undertaking, Melrose PLC, and certain fellow subsidiaries. The net liabilities outstanding under these guarantees at the Balance Sheet date were £488.8 million (31 December 2009 £475.7 million). In addition, the Company has granted security over certain of its assets to Lloyds TSB Bank plc as agent in connection with the borrowings of its parent undertaking.

Other outstanding bonds and guarantees at the year end amounted to £1,817,000 (31 December 2009 £1,004,000).

### 20 Related party transactions

The Company is a wholly owned subsidiary of Melrose PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Melrose Group, for which 100% of ownership rests within the Melrose Group.

### 21 Ultimate parent company

The Directors regard Melrose PLC, a company incorporated in Great Britain and registered in England and Wales, as the Company's ultimate parent undertaking and controlling party for the year ended 31 December 2010. The immediate parent company is FKI Engineering Limited, which is registered in Great Britain.

The smallest and largest group into which the results of the company are consolidated is that headed by Melrose PLC. Copies of the financial statements are available from the Company Secretary, Melrose PLC, Precision House, Arden Road, Alcester, Warwickshire, B49 6HN.