

HAWKER SIDDELEY INDUSTRIES LIMITED
REPORT AND ACCOUNTS
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 1999
REGISTERED NO: 29533



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COMPANIES HOUSE **31/01/00**

**HAWKER SIDDELEY INDUSTRIES LIMITED
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**HAWKER SIDDELEY INDUSTRIES LIMITED
DIRECTORS' REPORT**

The Directors present their report and accounts for the 15 month period ended 31 March 1999.

MERGER OF SIEBE PLC AND BTR PLC

On 4 February 1999 the Company's ultimate parent undertaking, BTR plc, and Siebe plc merged their respective businesses to become BTR Siebe plc. BTR Siebe plc became the Company's new ultimate parent undertaking. Subsequently, BTR Siebe plc changed its name to Invensys plc.

Invensys plc's financial year ends on 31 March. Therefore, the Company has changed its financial year end to 31 March and these accounts are for the 15 months ended 31 March 1999.

RESULTS AND DIVIDENDS

The profit for the financial period amounted to £1,508,000 (1997 - loss of £1,259,000). The Directors do not recommend a dividend (1997 - £Nil), which leaves a profit of £1,508,000 (1997 - loss of £1,259,000) to be retained.

REVIEW OF THE BUSINESS

The Company operates in the Controls sector.

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

RESEARCH AND DEVELOPMENT

The Company carries out research and development in support of its activities (see note 2 to the accounts).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the 15 month period were as follows:

C R Burns (Resigned 31 March 1999)
P H M Buysse (Resigned 5 January 1998)
D A Cruickshank
D J Stevens (Resigned 14 May 1999)
J D Thom

In addition J C Bays was appointed a director on 2 July 1999.

No Director had any interest in the shares of the Company.

The interests of the other Directors in the shares of Invensys plc were:

	31 March 1999				1 January 1998*			
	Listed	Warrants	Share Option Schemes Senior Executive	SAYE	Listed	Warrants	Share Option Schemes Senior Executive	SAYE
D A Cruickshank	6,457	-	152,613	5,413	5,925	110	82,613	4,650
D J Stevens	2,665	-	66,624	5,413	-	-	66,624	2,764
J D Thom	153	-	55,241	5,413	153	60	40,241	5,303

* Or at date of appointment, whichever is later

Comparative 1998 figures for the share interests held in BTR shares are restated as share interests in Invensys shares. Comparative figures for the interests in options are also restated as options over Invensys shares. Under the terms of the merger all former BTR shareholders received 0.533 of a new Invensys share for each BTR share held.

HAWKER SIDDELEY INDUSTRIES LIMITED
DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued)

Share options relating to the shares of Invensys plc granted to, and exercised by, the Directors of Hawker Siddeley Industries Limited during the 15 month period ended 31 March 1999, were as follows:

	Granted	Exercised	Lapsed
As part of the Senior Executive Scheme:			
D A Cruickshank	70,000	-	-
J D Thom	15,000	-	-
As part of the SAYE Scheme:			
D A Cruickshank	5,413	-	4,650
D J Stevens	5,413	-	2,764
J D Thom	5,413	-	5,303

In addition, D A Cruickshank, D J Stevens and J D Thom have elected to release their existing BTR share options granted under the BTR Executive Share Option Scheme (1985), the BTR Executive Share Option Scheme (1995) and the BTR Saving-Related Share Option Scheme, into new options over Invensys shares in accordance with an offer made to option holders following the merger.

LONG TERM INCENTIVE PLAN ("LTIP")

As at 1 January 1998 D A Cruickshank held 17,988 shares, D J Stevens held 36,377 shares and J D Thom held 9,061 shares under the BTR LTIP. A further 45,499 shares and 10,168 shares were awarded to D J Stevens and J D Thom respectively on 2 January 1998. As a consequence of the merger all outstanding amounts lapsed on 2 February 1999 as the relevant performance condition had not been met.

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

PAYMENT POLICY

It is Company policy in respect of its suppliers to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment;
- pay in accordance with the Company's contractual and other legal obligations.

The average number of days purchases included within creditors at 31 March 1999 was 130 days.

GENERAL INFORMATION

Information concerning employees and their remuneration is given in note 4. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about Company and Invensys group affairs.

It is the Company's policy to encourage the employment, training and career development of disabled persons. If employees become disabled every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the Company pursues a policy designed to provide secure working environments and training standards at all operating locations.

**HAWKER SIDDELEY INDUSTRIES LIMITED
DIRECTORS' REPORT (Continued)**

YEAR 2000

Hawker Siddeley Industries Limited is participating in the Invensys Group world-wide Year 2000 programme. As part of the that programme Hawker Siddeley Industries Limited is following the Invensys Year 2000 methodology which focuses on the risks inherent in core business systems, the IT infrastructure, the non IT infrastructure, the supply chain and sales and marketing.

The Group programme is co-ordinated and managed by a central team and through the divisional offices. The Company reports to the central project team on the progress of its Year 2000 project. Although it is not possible to guarantee that no Year 2000 problems remain, the Group believes that its internal systems are Year 2000 compliant. The Company continues to address the business risk from third parties with whom it deals on business or financial matters including key customers and suppliers. Contingency plans have been developed to minimise the risk of non-compliance caused by disruption from areas where the Company does not have direct control.

To date the Group and this Company have not encountered any significant problems. Although the Millennium date change has passed, the Directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

It is currently estimated that the total expenditure for the Invensys Group is in the order of £75 million in capital and up to £20 million in revenue cost for the period 1997 to end of 1999, of which the Company's share is not material to the company and is expected to be absorbed within the normal operating costs of the Company.

EUROPEAN MONETARY UNION

Following the introduction of the euro on 1 January 1999, the Invensys Group's operations are able to undertake transactions in euros 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 was passed on 17 December 1990. Accordingly Ernst & Young shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the Board.



Per pro Invensys Secretaries Limited, Secretary

Carlisle Place
London
SW1P 1BX

31.1.2000

**HAWKER SIDDELEY INDUSTRIES LIMITED
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 which 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.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF HAWKER SIDDELEY INDUSTRIES LIMITED**

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

Respective responsibilities of Directors and auditors

As described on page 5, 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 March 1999 and of its profit for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Ernst & Young
Registered Auditor
London

31 January 2000

HAWKER SIDDELEY INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE 15 MONTH PERIOD ENDED 31 MARCH 1999

		15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
	Notes		
TURNOVER			
Continuing operations		15,131	13,443
Other operating costs less other operating income	2	(13,787)	(10,993)
OPERATING PROFIT			
Continuing operations		1,344	2,450
Profit on disposal of fixed assets		5	9
Additional costs on disposals in prior years		-	(3,713)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST			
		1,349	(1,254)
Interest receivable and similar income	5	33	3
Interest payable and similar charges	6	(5)	(8)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
		1,377	(1,259)
Taxation	7	131	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD			
	15	1,508	(1,259)

The notes on pages 10 to 15 form part of these accounts.


RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the financial period of £1,508,000 in the 15 month period ended 31 March 1999 and a loss of £1,259,000 in the year ended 31 December 1997.

HAWKER SIDDELEY INDUSTRIES LIMITED
BALANCE SHEET AS AT 31 MARCH 1999

		31 March	31 December
		<u>1999</u>	<u>1997</u>
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	8	3,286	2,631
Investments	9	-	-
		<hr/>	<hr/>
		3,286	2,631
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	10	954	993
Debtors - amounts falling due within one year	11	153,962	153,173
Cash at bank and in hand		1,334	782
		<hr/>	<hr/>
		156,250	154,948
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	12	(139,043)	(138,594)
		<hr/>	<hr/>
NET CURRENT ASSETS		17,207	16,354
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,493	18,985
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Share premium account	15	279	279
Capital reserve	15	1,364	1,364
Profit and loss account	15	13,850	12,342
		<hr/>	<hr/>
Shareholders' Funds		20,493	18,985
		<hr/>	<hr/>

Approved by the Board on 31 January 2000


 J D Thom
 Director

The notes on pages 10 to 15 form part of these accounts.

HAWKER SIDDELEY INDUSTRIES LIMITED
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 1999

	15 months to 31 March 1999	Year to 31 December 1997
Notes	<u>£'000</u>	<u>£'000</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	1,508	(1,259)
NET ADDITION TO/(REDUCTION FROM) SHAREHOLDERS' FUNDS	1,508	(1,259)
Opening shareholders' funds	18,985	20,244
Closing shareholders' funds	20,493	18,985

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999

1. ACCOUNTING POLICIES

Basis of presentation

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards.

Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the period end. Exchange differences arising from the retranslation of foreign currency denominated assets and liabilities together with other differences arising in the period are included in the profit and loss account.

Research and Development

Research and development expenditure is generally expensed as incurred, except where a major project is undertaken and it is reasonably anticipated that certain expenditure will be recovered through future commercial development. These are amortised over a period of between three to ten years commencing with the commercial production or application of the product.

Pension costs

The expected costs of 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.

Impairment of fixed assets

The carrying values of tangible assets are reviewed for impairment in periods where events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation of tangible assets

Tangible assets, with the exception of land, are depreciated over their estimated useful lives at the following rates applied to original cost:

Freehold and Long Leasehold Buildings	2%
Short Leasehold Buildings	Remaining lease period
Plant and Machinery	7.5% - 35%

Investments

The investments in unlisted companies are included at cost less amounts written off and provisions for impairment in value.

Stocks

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

Taxation

Provision for deferred taxation is made for liabilities which may arise in the foreseeable future.

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999 (Continued)

2. OPERATING COSTS LESS OTHER OPERATING INCOME	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Change in stocks of finished goods and works in progress	39	(64)
Raw materials and consumables	3,887	3,004
Other external charges	2,732	2,137
Staff costs (Note 4)	6,405	5,457
Depreciation	724	459
	13,787	10,993

	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Operating costs less other income are stated after charging:		
Auditors' remuneration - audit fees	20	14
Depreciation of owned fixed assets	724	459
Research and development expenditure written off	378	264
Operating lease rentals - plant and machinery	37	-
- land and buildings	561	449

3. DIRECTORS' REMUNERATION

None of the Directors received any emoluments from the Company during the financial period (1997 - Nil).

4. EMPLOYEES	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Wages and salaries	5,942	5,066
Social security costs	463	391
	6,405	5,457

	15 months to 31 March <u>1999</u> No	Year to 31 December <u>1997</u> No
The average weekly number of employees during the period was as follows:		
Administration	20	23
Production	308	342
Marketing	28	33
Research and development	9	9
	365	407

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999 (Continued)

5. INTEREST RECEIVABLE AND SIMILAR INCOME	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Other interest receivable	2	3
Foreign currency gain	31	-
	<hr/> 33	<hr/> 3
	<hr/>	<hr/>
6. INTEREST PAYABLE AND SIMILAR CHARGES	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Other interest payable	2	6
Foreign exchange loss	3	2
	<hr/> 5	<hr/> 8
	<hr/>	<hr/>
7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	15 months to 31 March <u>1999</u> £'000	Year to 31 December <u>1997</u> £'000
Adjustments in respect of prior years	131	-
	<hr/> 131	<hr/> -
	<hr/>	<hr/>

The charge for the period has been reduced by losses surrendered from other group companies for which no payment is required.

8. TANGIBLE ASSETS	<u>Plant & Machinery</u> £'000
Cost	
At 1 January 1998	6,851
Additions	1,406
Disposals	(192)
	<hr/> 8,065
At 31 March 1999	<hr/> 8,065
Depreciation	
At 1 January 1998	(4,220)
Charge for the period	(724)
Disposals	165
	<hr/> (4,779)
At 31 March 1999	<hr/> (4,779)
Net book value	
At 31 March 1999	<hr/> 3,286
	<hr/>
At 1 January 1998	<hr/> 2,631
	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999 (Continued)

9. INVESTMENTS

	Shares in unlisted companies £'000
Cost	
At 1 January 1998 and at 31 March 1999	452
Provision	
At 1 January 1998 and at 31 March 1999	(452)
Net book value	
At 1 January 1998 and at 31 March 1999	-

10. STOCKS

	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
Raw materials and consumables	240	288
Work in progress	578	589
Finished goods	136	116
	<hr/> 954	<hr/> 993

The difference between the estimated replacement cost of stocks and the purchase price or production cost is not material.

11. DEBTORS

	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
Amounts falling due within one year		
Trade debtors	1,040	956
Amounts owed by parent and fellow subsidiary undertakings	152,852	152,169
Other debtors	6	-
Prepayments	64	48
	<hr/> 153,962	<hr/> 153,173

12. CREDITORS: Amounts falling due within one year

	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
Bank loans and overdrafts	403	27
Trade creditors	1,108	986
Amounts owed to parent and fellow subsidiary undertakings	136,075	135,962
Current corporation tax	25	156
Other taxes and social security	99	94
Other creditors	1,065	1,075
Accruals and deferred income	268	294
	<hr/> 139,043	<hr/> 138,594

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999 (Continued)

13. DEFERRED TAXATION	<u>Provided</u>		<u>Not Provided</u>	
	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
Capital allowances	-	-	287	231
	-	-	287	231

14. CALLED UP SHARE CAPITAL	<u>Authorised, Allotted, Called-up and Fully Paid</u>	
	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
5,000,000 ordinary shares of £1 each	5,000	5,000

15. RESERVES	<u>Share Premium Account</u>	<u>Capital Reserve Account</u>	<u>Profit and Loss Account</u>
	£'000	£'000	£'000
At 1 January 1998	279	1,364	12,342
Retained profit for the financial period	-	-	1,508
At 31 March 1999	279	1,364	13,850

16. CAPITAL COMMITMENTS	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
	Contracted	-

17. OPERATING LEASE COMMITMENTS

At 31 March 1999, the Company had commitments under operating leases to make payments in the year to 31 March 2000 under agreements expiring as below:

	31 March <u>1999</u> <u>Land and Buildings</u> £'000	31 December <u>1997</u> <u>Land and Buildings</u> £'000
in over five years	449	449

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS AS AT 31 MARCH 1999 (Continued)

18. 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.

19. PENSIONS

The UK employees of Hawker Siddeley Industries Limited are eligible for membership of the BTR Pension Scheme, a funded defined benefit scheme, and contributions are made in accordance with the recommendations of independent actuaries based on pension cost across the eligible group.

A valuation of the scheme was performed by the actuaries as at 5 April 1997. The actuarial surplus identified is being spread over the average remaining services 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.

20. CASH FLOW STATEMENT

As the Company is a wholly owned subsidiary undertaking of Invensys plc, a company registered in England and Wales, which prepares a consolidated cash flow statement, the Company has taken advantage of the exemption provided under the scope of FRS 1 (Revised 1996) not to prepare a cash flow statement.

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 FRS 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.

Disclosure of the Directors' interests in the shares of the company and Invensys plc is made in the Directors' Report.

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 group accounts of Invensys plc, the parent undertaking of 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.