

# Hawker Siddeley Industries Limited

Report and Accounts

For the year ended 31 March 2001

*Company number: 29533*



# Hawker Siddeley Industries Limited

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## **DIRECTORS**

J R W Clayton  
A C Cochrane

## **SECRETARY**

Invensys Secretaries Limited

## **AUDITORS**

Ernst & Young LLP  
Becket House  
1 Lambeth Palace Road  
London  
SE1 7EU

## **REGISTERED OFFICE**

Invensys House  
Carlisle Place  
London  
SW1P 1BX

# Hawker Siddeley Industries Limited

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## CONTENTS

	<b>Page</b>
Directors' Report	4
Statement of Directors' Responsibilities in Respect of the Preparation of the Accounts	7
Report of the Auditors to the Shareholders of Hawker Siddeley Industries Limited	8
Profit and Loss Account	9
Balance Sheet	10
Reconciliation of Movements in Shareholders' Funds	11
Notes to the Accounts	12

# Hawker Siddeley Industries Limited

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## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2001.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company operates through divisions designing, developing, manufacturing and marketing products mainly in the controls sector.

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

The directors do not expect any change in the principal activity during the next financial year.

### RESULTS AND DIVIDENDS

The results for the financial year are summarised below:

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	11,543	10,226
Profit before taxation	2,231	1,107
Taxation on profit	(842)	25
Profit for the financial year	1,389	1,132

The directors recommend the payment of a dividend of £14,940,000 (2000: £nil).

### RESEARCH AND DEVELOPMENT

The Company carries out research and development in support of its activities (see note 3 to the accounts).

### DIRECTORS

The directors who served during the year were as follows:

J C Bays	(resigned 30 March 2001)
J R W Clayton	(appointed 9 February 2001)
J D Thom	(resigned 9 February 2001)

In addition A C Cochrane was appointed as a director on 2 April 2001.

# Hawker Siddeley Industries Limited

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## DIRECTORS' REPORT (continued)

### DIRECTORS' INTERESTS

None of the directors had any beneficial interest in the shares of the Company.

The interests of the director in the ordinary shares of Invensys plc at 31 March 2001 were:

	At 31 March 2001			At date of appointment		
	Shares	Share option schemes Executive	SAYE	Shares	Share option schemes Executive	SAYE
J R W Clayton	46	103,300	7,568	-	103,300	7,568

No options were granted, exercised or lapsed during the year.

### EMPLOYEES

Information concerning employees and their remuneration is given in notes 5 and 6. It is Company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled. To satisfy that need 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.

In order to safeguard its employees, the Company pursues a policy designed to provide secure working environments and training standards at all operating locations. The Company also recognises the need to provide information on matters of concern to employees.

# Hawker Siddeley Industries Limited

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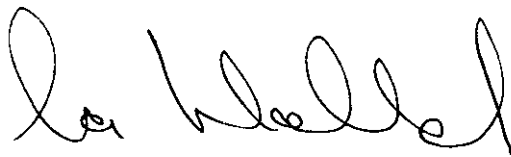
## DIRECTORS' REPORT (continued)

### AUDITOR

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed under section 386 of the Companies Act 1985.

By Order of the Board.



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

Date: 3 October 2001

## **Hawker Siddeley Industries Limited**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION 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;*
- 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

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## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF HAWKER SIDDELEY INDUSTRIES LIMITED

We have audited the accounts on pages 9 to 20, which have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

### Respective responsibilities of directors and auditors

As described on page 7, 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

*Ernst & Young LLP*

Registered Auditor  
London

Date: *4 October 2001*



# Hawker Siddeley Industries Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001

		Year ended 31 March 2001 £'000	Year ended 31 March 2000 £'000
<b>Turnover</b>	2	11,543	10,226
Cost of sales		(1,569)	(2,273)
<b>Gross profit</b>		9,974	7,953
Distribution costs		(1,798)	(1,581)
Administrative expenses		(5,884)	(5,281)
<b>Operating profit</b>	3	2,292	1,091
(Loss)/profit on disposal of fixed assets		(54)	10
Profit on ordinary activities before interest		2,238	1,101
Net interest (payable) and similar charges/receivable and similar income	7	(7)	6
<b>Profit on ordinary activities before taxation</b>		2,231	1,107
Tax on profit on ordinary activities	8	(842)	25
<b>Profit on ordinary activities after taxation</b>		1,389	1,132
Dividends payable	9	(14,940)	-
<b>Retained (loss)/profit for the financial year</b>		(13,551)	1,132

There are no recognised gains or losses other than the profit for the financial year of £1,389,000 (2000: £1,132,000).

The notes on pages 12 to 20 form part of these accounts.

# Hawker Siddeley Industries Limited

## BALANCE SHEET AT 31 MARCH 2001

	Notes	31 March 2001 £'000	31 March 2000 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	3,533	3,526
Investments	11	-	-
		<hr/>	<hr/>
		3,533	3,526
<b>CURRENT ASSETS</b>			
Stocks	12	2,797	988
Debtors	13	157,958	154,524
Cash and short-term deposits		2,169	1,181
		<hr/>	<hr/>
		162,924	156,693
<b>CREDITORS: amounts falling due within one year</b>	14	(158,383)	(138,594)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		4,541	18,099
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,074	21,625
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
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	1,431	14,982
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		8,074	21,625
		<hr/>	<hr/>

These accounts were approved by the Board on 3 October 2001 and signed on its behalf by:



Director

The notes on pages 12 to 20 form part of these accounts.

## Hawker Siddeley Industries Limited

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### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2001

	Notes	2001 £'000	2000 £'000
PROFIT FOR THE FINANCIAL YEAR		1,389	1,132
Dividends	9	(14,940)	-
		<hr/>	<hr/>
		(13,551)	1,132
Opening shareholders' funds		21,625	20,493
		<hr/>	<hr/>
Closing shareholders' funds		8,074	21,625
		<hr/>	<hr/>

# Hawker Siddeley Industries Limited

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## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

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

Under Financial Reporting Standard No. 1: "Cash Flow Statements" (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of Invensys plc, a listed company that prepares a consolidated cash flow statement for the Invensys group.

#### ***New financial reporting standards***

##### (i) Adoption of FRS 17

In November 2000 the Accounting Standards Board issued Financial Reporting Standard No 17: Retirement Benefits (FRS 17). The implementation of the requirements of FRS 17 are phased in over a two year period starting with accounting periods ending on or after 22 June 2001; hence, Hawker Siddeley Industries Limited has not implemented the requirements of FRS 17 in the preparation of the statutory accounts for the year ended 31 March 2001. The impact on the Company is currently being evaluated.

##### (ii) Adoption of FRS 18

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No 18: Accounting Policies (FRS 18). The requirements of FRS 18 are effective for accounting periods ending on or after 22 June 2001; hence, Hawker Siddeley Industries Limited has not implemented the requirements of FRS 18 in the preparation of the statutory accounts for the year ended 31 March 2001.

##### (iii) Adoption of FRS 19

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No 19: Deferred Tax (FRS 19). The requirements of FRS 19 are effective for accounting periods ending on or after 23 January 2002; hence, Hawker Siddeley Industries Limited has not implemented these requirements in the preparation of the statutory accounts for the year ended 31 March 2001. The impact on the Company is currently being evaluated.

#### ***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.

# Hawker Siddeley Industries Limited

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## NOTES TO THE ACCOUNTS (continued)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Turnover**

Turnover represents the invoiced value of goods and services supplied by the Company, to third parties, excluding value added tax. Turnover relating to long-term contracts represents the value of work performed during the year.

#### **Research and development**

Research and development expenditure is expensed as incurred.

#### **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% - 35%
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#### **Impairment of fixed assets**

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable.

#### **Leased assets**

Rentals under operating lease are charged to profit and loss account on a straight-line basis.

#### **Investments**

Investments in subsidiary undertakings are held at cost less amounts written off and provisions for impairment.

#### **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.

# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 2. TURNOVER

Turnover is all attributable to the same class of business (designing, developing, manufacturing and marketing products mainly in the controls sector).

An analysis of turnover by geographical destination is as follows:

	Turnover	
	2001 £'000	2000 £'000
United Kingdom	4,295	3,852
Rest of Europe	1,360	1,165
North America	3,165	2,808
Asia Pacific	2,242	1,931
Africa and Middle East	481	470
	<u>11,543</u>	<u>10,226</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging:

	2001 £'000	2000 £'000
Auditors' remuneration – audit fees	12	7
Depreciation of owned fixed assets	558	401
Research and development expenditure	290	-
Operating lease rentals - plant and machinery	7	28
- other	512	449
	<u>1,379</u>	<u>885</u>

Operating profits for the year ended 31 March 2001 includes profits in the sum of £1.3 million arising from a change in the basis for absorbing overheads into inventory.

### 4. OPERATING EXCEPTIONAL ITEMS

Included in operating profit are operating exceptional items of:

	2001 £'000	2000 £'000
Restructuring costs	<u>660</u>	<u>509</u>

Operating exceptional items include restructuring costs of £660,000 (2000 £509,000) in respect of 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.

# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 5. DIRECTORS' REMUNERATION

None of the directors received any emoluments from the Company during the year (2000: £nil)

### 6. EMPLOYEES

The monthly average number of employees (including directors) during the year as follows:

	<b>2001</b>	<b>2000</b>
	<b>No</b>	<b>No</b>
Marketing and distribution	21	20
Production	229	265
Finance and administration	15	9
	<u>265</u>	<u>294</u>

The aggregate payroll costs of these persons were as follows:

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,286	4,028
Social security costs	288	292
	<u>4,574</u>	<u>4,320</u>

### 7. NET INTEREST PAYABLE AND SIMILAR CHARGES/RECEIVABLE AND SIMILAR INCOME

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on bank loans, overdrafts and other loans	10	7
Foreign exchange loss	-	7
	<u>10</u>	<u>14</u>
Bank interest (receivable)	(3)	(6)
Foreign exchange (gain)	-	(14)
	<u>(3)</u>	<u>(20)</u>
Net interest payable/(receivable)	<u>7</u>	<u>(6)</u>

# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom corporation tax		
Current tax on income for the period	842	-
Adjustment in respect of prior periods	-	(25)
	<hr/>	<hr/>
Tax on profit on ordinary activities	842	(25)
	<hr/>	<hr/>

### 9. DIVIDENDS

	2001 £'000	2000 £'000
Dividends - final proposed	(14,940)	-
	<hr/>	<hr/>

### 10. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
<b>Cost or valuation</b>	
At beginning of year	8,354
Additions	663
Disposals	(346)
	<hr/>
At end of year	8,671
<b>Depreciation</b>	
At beginning of year	4,828
Charge for the year	558
Disposals	(248)
	<hr/>
At end of year	5,138
<b>Net book value</b>	
At end of year	<hr/> 3,533 <hr/>
At beginning of year	<hr/> 3,526 <hr/>



# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 11. INVESTMENTS

	<b>Subsidiary Undertakings £'000</b>
<b>Cost</b>	
At beginning of year	452
Disposals	(452)
At end of year	-
<b>Provisions</b>	
At beginning of year	452
Disposals	(452)
At end of year	-
<b>Net book value</b>	
At end of year	-
At beginning of year	-

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.

### 12. STOCKS

	<b>2001 £'000</b>	<b>2000 £'000</b>
Raw materials and consumables	382	264
Work in progress	2,076	542
Finished goods	339	182
	<u>2,797</u>	<u>988</u>

The current replacement cost of stock does not differ materially from the historical cost stated above.

# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 13. DEBTORS:

Amounts falling due within one year	2001 £'000	2000 £'000
Trade debtors	1,563	1,410
Amounts owed by parent and fellow subsidiary undertakings	155,956	152,793
Other debtors	22	16
Prepayments and accrued income	417	305
	<u>157,958</u>	<u>154,524</u>

### 14. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Bank overdrafts	-	191
Trade creditors	1,444	1,024
Amounts owed to parent and fellow subsidiary undertakings	155,062	135,977
Other taxes and social security	81	96
Other creditors	1,794	1,294
Accruals and deferred income	2	12
	<u>158,383</u>	<u>138,594</u>

### 15. DEFERRED TAXATION

	Provided		Unprovided	
	31 March 2001 £'000	31 March 2000 £'000	31 March 2001 £'000	31 March 2000 £'000
Accelerated capital allowances	-	-	364	234
	<u>-</u>	<u>-</u>	<u>364</u>	<u>234</u>

### 16. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
5,000,000 ordinary shares of £1 each	5,000	5,000	5,000	5,000
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

# Hawker Siddeley Industries Limited

## NOTES TO THE ACCOUNTS (continued)

### 17. RESERVES

	Share premium account £'000	Capital Reserve £'000	Profit and Loss Account £'000
At beginning of year	279	1,364	14,982
Profit for the year	-	-	1,389
Dividends	-	-	(14,940)
	<u>279</u>	<u>1,364</u>	<u>1,431</u>

### 18. CAPITAL COMMITMENTS

	2001 £'000	2000 £'000
Contracted	192	-

### 19. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 March 2001 the Company had commitments under operating leases to make payments in the year to 31 March 2002 under agreements expiring as below:

	As at 31 March 2001 Land and buildings £'000	As at 31 March 2000 Land and Buildings £'000
In over five years	<u>449</u>	<u>449</u>

### 20. 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.

# **Hawker Siddeley Industries Limited**

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## **NOTES TO THE ACCOUNTS (continued)**

### **21. 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 2000 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.

### **22. 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 (FRS 8) not included details of transactions with other companies which are subsidiaries of the Invensys Group. There are no other related party transactions.

Disclosure of directors' interest in the shares of the Company and Invensys plc is made in the Directors' Report.

### **23. IMMEDIATE PARENT UNDERTAKING**

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

### **24. ULTIMATE PARENT UNDERTAKING**

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