

Hawker Siddeley Industries Limited

Report and Accounts

For the year ended 31 March 2002

Company number: 29533



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Hawker Siddeley Industries Limited

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

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Carlisle Place
London
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Hawker Siddeley Industries Limited

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Hawker Siddeley Industries Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2002.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During the year, the Company was engaged in the designing, developing, manufacturing and marketing of products mainly in the controls sector.

On 17 January 2002, the Company disposed of the business and net assets of the Crompton Instruments division to Tyco Electronics UK Limited for total consideration of £7.37 million. A loss of £532k arose on disposal. No goodwill was attributable to the business disposed of. Following the disposal, the Company has become a non-trading company.

RESULTS AND DIVIDENDS

The results for the financial year are summarised below:

	2002	Restated
	£'000	2001
		£'000
Turnover	8,333	11,543
(Loss)/profit before taxation	(3,554)	2,231
Taxation on (loss)/profit	364	(972)
(Loss)/profit for the financial year	(3,190)	1,259

The directors recommend the payment of a dividend of £nil (2001: £14,940k).

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 R W Clayton
A C Cochrane (appointed 2 April 2001)

Hawker Siddeley Industries Limited

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

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

The interests of the directors in the ordinary shares of Invensys plc at 31 March 2002 were:

	At 31 March 2002			At 1 April 2001 (or if later, at date of appointment)		
	Shares	Share option schemes		Shares	Share option schemes	
		Executive	SAYE		Executive	SAYE
J R W Clayton	46	204,700	10,555	46	103,300	7,568
A C Cochrane	-	208,400	13,183	-	75,000	13,183

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 R W Clayton	101,400	-	-
A C Cochrane	133,400	-	-
As part of the SAYE Scheme:			
J R W Clayton	10,555	-	7,568

EMPLOYEES

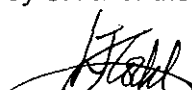
Information concerning employees and their remuneration is given in notes 5 and 6. It is Company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled. To satisfy that need consultative procedures enable management and other employees to discuss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

AUDITOR

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: 11 November 2002

Hawker Siddeley Industries Limited

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKER SIDDELEY INDUSTRIES LIMITED

We have audited the company's accounts for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of its loss 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: *11 November 2002*

Hawker Siddeley Industries Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	Discontinued Operations	
		Year ended 31 March 2002 £'000	Restated Year ended 31 March 2001 £'000
Turnover	2	8,333	11,543
Cost of sales		(2,570)	(1,569)
Gross profit		5,763	9,974
Distribution costs		(2,146)	(1,798)
Administrative expenses		(3,650)	(5,884)
Amounts provided against intercompany balances		(2,962)	-
Operating (loss)/profit	3	(2,995)	2,292
Loss on disposal of business	19	(532)	-
Loss on disposal of fixed assets		(4)	(54)
(Loss)/profit on ordinary activities before interest		(3,531)	2,238
Net interest payable and similar charges	7	(23)	(7)
(Loss)/profit on ordinary activities before taxation		(3,554)	2,231
Tax on (loss)/profit on ordinary activities	8	364	(972)
(Loss)/profit on ordinary activities after taxation		(3,190)	1,259
Dividends payable	9	-	(14,940)
Retained loss for the financial year		(3,190)	(13,681)

The notes on pages 12 to 21 form part of these accounts.

Hawker Siddeley Industries Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2002

	2002	2001
	£'000	£'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(3,190)	1,259
Prior year adjustment	(364)	-
Total recognised (losses)/gains since last Report and Accounts	<u>(3,554)</u>	<u>1,259</u>

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Hawker Siddeley Industries Limited

BALANCE SHEET AT 31 MARCH 2002

		31 March 2002 £'000	Restated 31 March 2001 £'000
FIXED ASSETS			
Tangible assets	10	-	3,533
		-	3,533
CURRENT ASSETS			
Stocks	11	-	2,797
Debtors	12	14,236	157,958
Cash and short-term deposits		-	2,169
		14,236	162,924
CREDITORS: amounts falling due within one year	13	(9,716)	(158,383)
NET CURRENT ASSETS		4,520	4,541
TOTAL ASSETS LESS CURRENT LIABILITIES		4,520	8,074
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(364)
		4,520	7,710
CAPITAL AND RESERVES			
Called up share capital	15	5,000	5,000
Share premium account	16	279	279
Capital reserve	16	1,364	1,364
Profit and loss account	16	(2,123)	1,067
EQUITY SHAREHOLDERS' FUNDS		4,520	7,710

These accounts were approved by the Board on *11 November 2002* and signed on its behalf by:



Director

The notes on pages 12 to 21 form part of these accounts.

Hawker Siddeley Industries Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 £'000	Restated 2001 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(3,190)	1,259
Dividends	9	-	(14,940)
RETAINED LOSS FOR THE FINANCIAL YEAR		(3,190)	(13,681)
Opening shareholders' funds		8,074	21,625
Prior year adjustment – FRS 19		(364)	(234)
Opening shareholders' funds (restated)		7,710	21,391
Closing shareholders' funds		4,520	7,710

Hawker Siddeley Industries Limited

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 18

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No 18: Accounting Policies (FRS 18). FRS 18 updates an existing accounting standard and provides new guidance requiring that the most appropriate accounting policies and treatments are selected for the Company's particular circumstances. It has not had a significant effect on the measurement of the results and assets and liabilities of the Company.

(ii) Adoption of FRS 19

In December 2000 the Accounting Standards Board issued Financial Reporting Standard No 19: Deferred Tax (FRS 19). Under FRS 19 the Company is required to recognise deferred tax as a liability or asset if transactions or events giving rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

Previously the Company provided for deferred tax using the liability method to the extent that it was probable that liabilities would crystallise in the foreseeable future. Deferred tax unprovided for as at 31 March 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. As permitted by FRS 19, the Company has adopted a policy of not discounting deferred tax assets and liabilities.

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

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 leases are charged to profit and loss account on a straight-line basis.

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.

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, or gains on disposal of fixed assets, that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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	
	2002 £'000	2001 £'000
United Kingdom	2,987	4,295
Rest of Europe	897	1,360
North America	2,046	3,165
Asia Pacific	1,976	2,242
Africa and Middle East	427	481
	<hr/> 8,333	<hr/> 11,543

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration – audit fees	-	12
Depreciation of owned fixed assets	417	558
Research and development expenditure	242	290
Operating lease rentals - plant and machinery	6	7
- other	427	512

Operating profits for the year ended 31 March 2001 included profits in the sum of £1.3 million arising from a change in the basis for absorbing overheads into inventory. In 2002, the auditor's remuneration has been borne by the Company's ultimate parent undertaking.

4. OPERATING EXCEPTIONAL ITEMS

Included in operating profit are operating exceptional items of:

	2002 £'000	2001 £'000
Restructuring costs	67	660

Operating exceptional items include restructuring costs of £67k (2001: £660k) 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.

5. DIRECTORS' REMUNERATION

None of the directors received any emoluments from the Company during the year (2001: £nil).

6. EMPLOYEES

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

	2002 No	2001 No
Marketing and distribution	16	21
Production	182	229
Finance and administration	13	15

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

6. EMPLOYEES (continued)

The aggregate payroll costs of these persons were as follows:

	2002 £'000	2001 £'000
Wages and salaries	3,585	4,286
Social security costs	241	288
	<u>3,826</u>	<u>4,574</u>

7. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Interest payable on bank loans, overdrafts and other loans	27	10
Bank interest receivable	(4)	(3)
Net interest payable	<u>23</u>	<u>7</u>

8. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge

	2002 £'000	2001 £'000
United Kingdom corporation tax		
Current tax charge on income for the period	-	(842)
Deferred tax credit for the period	364	-
Prior year adjustment	-	(130)
	<u>364</u>	<u>(972)</u>

(ii) Factors affecting the tax charge

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	(3,554)	2,231
Tax (credit)/charge on ordinary activities at 30.0 %	(1,066)	669
Amounts written off intercompany balances	889	-
Adjustments in respect of prior years	-	130
Losses surrendered to other group companies	16	-
Loss on disposal of businesses and fixed assets	161	16
Other permanent differences	-	157
Total current tax	<u>-</u>	<u>972</u>

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

8. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

(iii) Factors that may affect future tax charges

As a UK resident company in the Invensys plc group the Company is eligible to surrender UK group relief to, or claim UK group relief from, other Invensys plc group companies. These claims and/or surrenders may be made with or without charge.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as no dividends have been accrued out of those earnings.

9. DIVIDENDS

	2002 £'000	2001 £'000
Dividends - final proposed	-	14,940

10. TANGIBLE FIXED ASSETS

	Plant and Machinery £'000
Cost or valuation	
At beginning of year	8,671
Additions	118
Disposals	(27)
Disposal of business	(8,762)
At end of year	-
Depreciation	
At beginning of year	5,138
Charge for the year	417
Disposals	(17)
Disposal of business	(5,538)
At end of year	-
Net book value	
At end of year	-
At beginning of year	3,533

11. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	-	382
Work in progress	-	2,076
Finished goods	-	339
	-	2,797

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

12. DEBTORS:

Amounts falling due within one year	2002 £'000	2001 £'000
Trade debtors	-	1,563
Amounts owed by parent and fellow subsidiary undertakings	14,236	155,956
Other debtors	-	22
Prepayments and accrued income	-	417
	<u>14,236</u>	<u>157,958</u>

13. CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	-	1,444
Amounts owed to parent and fellow subsidiary undertakings	9,715	155,062
Other taxes and social security	-	81
Other creditors	1	1,794
Accruals and deferred income	-	2
	<u>9,716</u>	<u>158,383</u>

14. DEFERRED TAXATION

Deferred tax unprovided for as at 31 March 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. The impact on the profit and loss account for the year to 31 March 2002 is an increase of £364k. (2001: reduce profit after taxation by £130k) as a result of the increase in the deferred tax charge. Shareholders' funds at 31 March 2001 have been reduced by £364k.

The movement for the year in the net deferred tax provision is as follows:

	2002 £'000	2001 £'000
At beginning of year (restated)	364	364
Released in year	(364)	-
At end of year	<u>-</u>	<u>364</u>

The net deferred tax provision is included within:

Provisions for liabilities and charges	-	364
	<u>-</u>	<u>364</u>

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

14. DEFERRED TAXATION (continued)

Deferred tax liabilities are analysed as follows:

	Provided	
	31 March 2002	31 March 2001 (restated)
	£'000	£'000
Accelerated capital allowances	-	364

15. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
5,000,000 ordinary shares of £1 each	5,000	5,000	5,000	5,000

16. RESERVES

	Share premium account £'000	Capital reserve £'000	(Restated) Profit and Loss Account £'000
At beginning of year	279	1,364	1,431
Prior year adjustment	-	-	(364)
Beginning of year (restated)	279	1,364	1,067
Loss for the year	-	-	(3,190)
	279	1,364	(2,123)

17. CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Contracted	-	192

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

18. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 March 2002 the Company had commitments under operating leases to make payments in the year to 31 March 2003 under agreements expiring as below:

	As at 31 March 2002	As at 31 March 2001
	Land and Buildings £'000	Land and Buildings £'000
in over five years	-	449

19. DISPOSALS

On 17 January 2002, the Company disposed of the business and net assets of the Crompton Instruments division to Tyco Electronics UK Limited for total consideration of £7.37 million. A loss of £532k arose on disposal. No goodwill was attributable to the business disposed of.

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.

21. PENSIONS

From 6 April 2001, and prior to the disposal of the business, the UK employees of Hawker Siddeley Industries Limited were 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.

Hawker Siddeley Industries Limited

NOTES TO THE ACCOUNTS (continued)

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 accounts, 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.