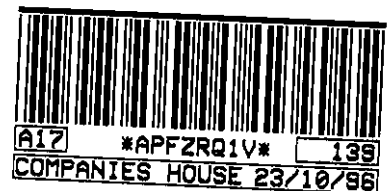


HAWKER SIDDELEY INDUSTRIES LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995
REGISTERED NO: 29533



HAWKER SIDDELEY INDUSTRIES LIMITED
CONTENTS

PAGE

Directors' Report	2
Statement of Directors' Responsibilities	4
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Reconciliation of Movement in Shareholders' Funds	8
Notes to the Accounts	9

**HAWKER SIDDELEY INDUSTRIES LIMITED
DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £9,336,000 (1994 - £18,636,000). The directors do not recommend a dividend (1994 - £17,000,000) which leaves a profit of £9,336,000 (1994 - profit £1,636,000) to be retained.

REVIEW OF THE BUSINESS

The Company operates through divisions designing, developing, manufacturing and marketing products mainly in the control and electrical sectors.

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 (refer to note 3 to the accounts).

FIXED ASSETS

Changes in the Company's fixed assets during the period are described in notes 10 and 11 to the accounts.

POST BALANCE SHEET EVENTS

After the year end the Company disposed of certain of its assets and liabilities, excluding intercompany funding balances, to other BTR group companies at book value for a total consideration of £76,293,000.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mr R C Brown	
Dr C R Burns	(Appointed 6 November 1995)
Mr P H M Buysse	(Appointed 6 November 1995)
Mr D A Cruickshank	(Appointed 31 December 1995)
Mr R P Hampson	(Resigned 26 May 1995)
Mr T Score	(Resigned 31 December 1995)
Mr J D M Smith	(Resigned 6 November 1995)

In addition, Mr J D Thom was appointed a director on 31st July 1996.

No director had any interest in the shares of the Company. Dr C R Burns and Mr P H M Buysse are also directors of BTR plc, the ultimate parent undertaking, and their interests in the shares of that company are disclosed in its accounts.

The interests of the other directors in the shares of BTR plc were:

	31 December 1995				1 January 1995*			
	Listed	Warrants	Share Option Schemes		Listed	Warrants	Share Option Schemes	
Senior Executive			SAYE	Senior Executive			SAYE	
Mr R C Brown	1,000	-	104,998	6,946	1,000	-	84,998	5,609
Mr D A Cruickshank	5,527	211	129,999	11,795	5,527	211	129,999	11,795

* Or at date of appointment, whichever is later.

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

DIRECTORS AND THEIR INTERESTS (Continued)

Share options related to the shares of BTR plc granted to, and exercised by, the directors of Hawker Siddeley Industries Limited during 1995, were as follows:

	Granted	Exercised
As part of the Senior Executive scheme:		
Mr R C Brown	30,000	10,000
As part of the SAYE scheme:		
Mr R C Brown	1,337	-

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

GENERAL INFORMATION

Information concerning employees and their remuneration is given in note 5. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the BTR group magazine "Grapevine", employees are kept informed about Company and BTR 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.

BTR plc maintains a policy of liability insurance for the BTR group's officers.

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.

10/9/96.



Per pro BTR Secretaries Limited, Secretary

Silvertown House
Vincent Square
London
SW1P 2PL

**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;
- 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. 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 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4, 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 at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor

11 September 1996

London

HAWKER SIDDELEY INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER			
Continuing operations	2	143,324	162,447
Other operating costs less other operating income	3	(130,254)	(135,524)
		<hr/>	<hr/>
OPERATING PROFIT		13,070	26,923
Profit on disposal of fixed assets		28	16
Interest receivable and similar income	6	24	-
Interest payable and similar charges	7	-	(27)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	13,122	26,912
Taxation	8	(3,786)	(8,276)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		9,336	18,636
Dividends	9	-	(17,000)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	9,336	1,636
		<hr/>	<hr/>

The notes on pages 9 to 16 form part of these accounts.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the financial year of £9,336,000 in the year ended 31 December 1995 and a profit of £18,636,000 in the year ended 31 December 1994.

HAWKER SIDDELEY INDUSTRIES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes	<u>1995</u> £'000	<u>1994</u> £'000
FIXED ASSETS			
Tangible assets	10	25,284	23,303
Investments	11	-	-
		<hr/>	<hr/>
		25,284	23,303
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	12	27,057	23,852
Debtors - amounts falling due within one year	13	187,014	179,197
Debtors - amounts falling due after more than one year	13	271	121
Cash at bank and in hand		15,272	13,485
		<hr/>	<hr/>
		229,614	216,655
CREDITORS: amounts falling due within one year	14	(225,261)	(211,745)
		<hr/>	<hr/>
NET CURRENT ASSETS		4,353	4,910
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,637	28,213
CREDITORS: amounts falling due after more than one year	15	(13,616)	(21,528)
		<hr/>	<hr/>
		16,021	6,685
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	17	5,000	5,000
Share premium account	18	279	279
Capital reserve	18	1,364	1,364
Profit and loss account	18	9,378	42
		<hr/>	<hr/>
		16,021	6,685
		<hr/>	<hr/>

Approved by the Board on 10/1/96.



D A Cruickshank
 Director

The notes on pages 9 to 16 form part of these accounts.

HAWKER SIDDELEY INDUSTRIES LIMITED
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	<u>1995</u> £'000	<u>1994</u> £'000
PROFIT FOR THE FINANCIAL YEAR		9,336	18,636
Dividends	9	-	(17,000)
		-----	-----
NET ADDITION TO SHAREHOLDERS' FUNDS		9,336	1,636
Opening shareholders' funds		6,685	5,049
		-----	-----
Closing shareholders' funds		16,021	6,685
		-----	-----

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. Where changes in presentation have been made, comparatives have been adjusted accordingly.

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 permanent diminution 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.

Foreign currencies

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

Taxation

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

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.

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

An analysis of turnover by geographical market is as follows:

	<u>Turnover</u>	
	<u>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	56,067	83,479
Europe	15,952	16,742
The Americas	39,675	35,983
Australia and Far East	17,020	15,948
Africa and Middle East	14,610	10,295
	<hr/>	<hr/>
	143,324	162,447
	<hr/>	<hr/>

An analysis of turnover and profit on ordinary activities before taxation by business segment is as follows:

	<u>Turnover</u>		<u>Profit before Tax</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Control and Electrical Systems	143,324	162,447	13,070	26,923
Finance Costs	-	-	24	(27)
Other	-	-	28	16
	<hr/>	<hr/>	<hr/>	<hr/>
	143,324	162,447	13,122	26,912
	<hr/>	<hr/>	<hr/>	<hr/>

3. OPERATING COSTS LESS OTHER OPERATING INCOME

	<u>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>
Change in stocks of finished goods and works in progress	(3,776)	2,409
Raw materials and consumables	60,289	57,156
Other external charges	23,131	22,632
Staff costs (Note 5)	47,643	50,096
Depreciation	2,967	3,231
	<hr/>	<hr/>
	130,254	135,524
	<hr/>	<hr/>

Operating costs less other income are stated after charging:

	<u>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>
Auditors' remuneration - audit fees	77	66
Depreciation of owned fixed assets	2,967	3,231
Research and development expenditure written off	1,258	1,546
Operating lease rentals - plant and machinery	1,082	1,104
- land and buildings	3,643	3,533

Remuneration of the auditors for non-audit services supplied to the Company amounted to £2,000 (1994 - £13,000).

HAWKER SIDDELEY INDUSTRIES LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)****4. DIRECTORS' REMUNERATION**

None of the directors received any emoluments from the Company during the year (1994 - Nil).

5. EMPLOYEES

	<u>1995</u> £'000	<u>1994</u> £'000
Wages and salaries	43,645	45,303
Social security costs	4,121	4,356
Other pension costs	(123)	437
	<hr/>	<hr/>
	47,643	50,096
	<hr/>	<hr/>

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

	<u>1995</u> No	<u>1994</u> No
Administration	365	420
Production	2,017	2,228
Marketing	178	181
Research and development	28	36
	<hr/>	<hr/>
	2,588	2,865
	<hr/>	<hr/>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1995</u> £'000	<u>1994</u> £'000
Other interest receivable	2	-
Realised foreign currency gain	22	-
	<hr/>	<hr/>
	24	-
	<hr/>	<hr/>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u> £'000	<u>1994</u> £'000
Bank loans and overdrafts	-	21
Foreign exchange loss	-	6
	<hr/>	<hr/>
	-	27
	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>1995</u> £'000	<u>1994</u> £'000
Corporation tax at 33% (1994 - 33%)	3,784	8,276
Less: double tax relief	-	(4)
	<hr/>	<hr/>
	3,784	8,272
Overseas tax	-	4
Adjustments in respect of prior years	2	-
	<hr/>	<hr/>
	3,786	8,276
	<hr/>	<hr/>

If full provision had been made for deferred tax for the year, the taxation charge would have been increased by £597,000 (1994 - £755,000)

9. DIVIDENDS	<u>1995</u> £'000	<u>1994</u> £'000
Ordinary - Final proposed of £Nil per share (1994 - £3.40)	-	17,000
	<hr/>	<hr/>

10. TANGIBLE ASSETS	<u>Land & Buildings</u> £'000	<u>Plant & Machinery</u> £'000	<u>Total</u> £'000
Cost			
At 1 January 1995	798	54,884	55,682
Additions	628	4,345	4,973
Disposals	-	(1,577)	(1,577)
	<hr/>	<hr/>	<hr/>
At 31 December 1995	1,426	57,652	59,078
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1995	(99)	(32,280)	(32,379)
Charge for the year	(22)	(2,945)	(2,967)
Disposals	-	1,552	1,552
	<hr/>	<hr/>	<hr/>
At 31 December 1995	(121)	(33,673)	(33,794)
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 1 January 1995	699	22,604	23,303
	<hr/>	<hr/>	<hr/>
At 31 December 1995	1,305	23,979	25,284
	<hr/>	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

10. **TANGIBLE ASSETS** (Continued)

The net book value of land and buildings is comprised of:	<u>1995</u>	<u>1994</u>
	£'000	£'000
Long leasehold improvements	1,239	675
Short leasehold improvements	66	24
	<hr/>	<hr/>
	1,305	699
	<hr/>	<hr/>

11. **INVESTMENTS**

	<u>Shares in</u> <u>unlisted</u> <u>companies</u> £'000	<u>Loans to</u> <u>unlisted</u> <u>companies</u> £'000
Cost		
At 1 January 1995	476	88
Disposals/Repayments	(24)	(88)
	<hr/>	<hr/>
At 31 December 1995	452	-
	<hr/>	<hr/>
Provision		
At 1 January 1995	(476)	(88)
Disposals/Repayments	24	88
	<hr/>	<hr/>
At 31 December 1995	(452)	-
	<hr/>	<hr/>
Net Book Value		
At 1 January 1995	-	-
	<hr/>	<hr/>
At 31 December 1995	-	-
	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)**

12. STOCKS	<u>1995</u> £'000	<u>1994</u> £'000
Raw materials and consumables	7,328	6,096
Work in progress	21,586	17,776
Finished goods	273	307
	<hr/>	<hr/>
Less: Progress payments	29,187 (2,130)	24,179 (327)
	<hr/>	<hr/>
	27,057	23,852
	<hr/>	<hr/>

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

13. DEBTORS	<u>1995</u> £'000	<u>1994</u> £'000
Amounts falling due within one year		
Trade debtors	38,077	41,176
Amounts due from parent and fellow subsidiary undertakings	144,112	134,444
Other debtors	3,857	2,470
Prepayments	968	1,107
	<hr/>	<hr/>
	187,014	179,197
	<hr/>	<hr/>
Amounts falling due after more than one year		
Trade debtors	271	121
	<hr/>	<hr/>

14. CREDITORS: amounts falling due within one year	<u>1995</u> £'000	<u>1994</u> £'000
Bank loans	559	478
Trade creditors	20,869	20,809
Amounts due to parent and fellow subsidiary undertakings	192,705	159,996
Current corporation tax	1,490	3,100
Other taxes and social security	2,441	1,524
Other creditors	4,379	4,741
Accruals	2,818	4,097
Proposed dividend	-	17,000
	<hr/>	<hr/>
	225,261	211,745
	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

15. CREDITORS: amounts falling due after more than one year

	<u>1995</u> £'000	<u>1994</u> £'000
Amounts due to parent and fellow subsidiary undertakings	13,616	21,528
	<hr/>	<hr/>

16. DEFERRED TAXATION

	<u>Provided</u>		<u>Not Provided</u>	
	<u>1995</u> £'000	<u>1994</u> £'000	<u>1995</u> £'000	<u>1994</u> £'000
Capital allowances	-	-	3,093	2,647
Other differences	-	-	-	(151)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	3,093	2,496
	<hr/>	<hr/>	<hr/>	<hr/>

17. CALLED UP SHARE CAPITAL

	<u>Authorised, Allotted, Called up and Fully Paid</u>	
	<u>1995</u> £'000	<u>1994</u> £'000
5,000,000 ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>

18. RESERVES

	<u>Share Premium Account</u> £'000	<u>Capital Reserve</u> £'000	<u>Profit and Loss Account</u> £'000
At 1 January 1995	279	1,364	42
Retained profit for the financial year			9,336
	<hr/>	<hr/>	<hr/>
At 31 December 1995	279	1,364	9,378
	<hr/>	<hr/>	<hr/>

19. CAPITAL COMMITMENTS

	<u>1995</u> £'000	<u>1994</u> £'000
Contracted	595	839
Authorised but not yet contracted for	1,008	962
	<hr/>	<hr/>
	1,603	1,801
	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

20. OPERATING LEASE COMMITMENTS

At 31 December 1995, the Company had commitments under operating leases to make payments in 1996 under agreements expiring as below:

	<u>1995</u>		<u>1994</u>	
	<u>Land & Buildings</u>	<u>Other</u>	<u>Land & Buildings</u>	<u>Other</u>
	£'000	£'000	£'000	£'000
within one year	3,323	157	3,484	277
within two to five years	152	243	-	566
in over five years	162	10	150	10
	<hr/>	<hr/>	<hr/>	<hr/>
	3,637	410	3,634	853
	<hr/>	<hr/>	<hr/>	<hr/>

21. CONTINGENT LIABILITIES

The Company has cross guarantee arrangements guaranteeing the bank overdrafts of certain other BTR 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.

22. PENSIONS

The UK employees of Hawker Siddeley Industries Limited are eligible for membership of the BTR plc Group 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 6 April 1994. 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 BTR plc.

23. CASH FLOW STATEMENT

As the Company is a wholly owned subsidiary undertaking of BTR 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 paragraph 8 of FRS 1 not to prepare a cash flow statement.

24. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Hawker Siddeley Industries Limited is BTR plc, a company registered in England and Wales. Copies of the group accounts of BTR 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, BTR plc, Silvertown House, Vincent Square, London SW1P 2PL.