

HAWKER SIDDELEY INDUSTRIES LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994
REGISTERED NO: 29533



**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 December 1994.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £18,636,000 (1993 - loss £1,004,000). The directors recommend a dividend amounting to £17,000,000 (1993 - £Nil) which leaves a profit of £1,636,000 (1993 - loss £1,004,000) 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 9 and 10 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mr R C Brown	
Mr R P Hampson	(Appointed 1 January 1994 and Resigned 26 May 1995)
Miss K A O'Donovan	(Resigned 18 March 1994)
Mr J D M Smith	(Appointed 1 January 1994)
Mr T Score	(Appointed 18 March 1994)

No director had any interest in the shares of the Company. Mr J D M Smith is also a director of BTR plc, the ultimate parent undertaking, and his 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 1994				1 January 1994*			
	Listed	Warrants	Share Option Schemes		Listed	Warrants	Share Option Schemes	
			Senior Executive	SAYE			Senior Executive	SAYE
Mr R C Brown	1,000	-	84,998	5,609	-	-	64,998	1,177
Mr R P Hampson	650	19	41,666	-	650	19	41,666	-
Mr T Score	750	-	90,000	-	-	-	50,000	-

* Or at date of appointment, whichever is later.

HAWKER SIDDELEY INDUSTRIES LIMITED
DIRECTORS' REPORT (Continued)

Share options related to the shares of BTR plc granted to, and exercised by, the directors of Hawker Siddeley Industries Limited during 1994, were as follows:

	Granted	Exercised	Lapsed
As part of the Senior Executive scheme:			
Mr R C Brown	20,000	-	-
Mr T Score	40,000	-	-
As part of the SAYE scheme:			
Mr R C Brown	5,609	-	1,177

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.



Per pro BTR Secretaries Limited, Secretary

Silvertown House
Vincent Square
London
SW1P 2PL

16 OCTOBER 1995

**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 misstatements, 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

E. & Y.

Ernst & Young
Chartered Accountants
Registered Auditor

London

19 October 1995

HAWKER SIDDELEY INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER			
Acquisitions	2	162,447	-
Other operating costs less other operating income	3	(135,524)	(1,004)
OPERATING PROFIT/(LOSS)			
Acquisitions		26,923	-
Continuing operations		-	(1,004)
		<u>26,923</u>	<u>(1,004)</u>
Profit on disposal of fixed assets		16	-
Interest payable and similar charges	6	(27)	-
		<u>16</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
	2	26,912	(1,004)
Taxation	7	(8,276)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			
		<u>18,636</u>	<u>(1,004)</u>
Dividends	8	(17,000)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR			
	17	<u>1,636</u>	<u>(1,004)</u>

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 £18,636,000 in the year ended 31 December 1994 and a loss of £1,004,000 in the year ended 31 December 1993.

**HAWKER SIDDELEY INDUSTRIES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994**

	Notes	<u>1994</u> £'000	<u>1993</u> £'000
FIXED ASSETS			
Tangible assets	9	23,303	21,060
Investments	10	-	-
		<hr/>	<hr/>
		23,303	21,060
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	11	23,852	21,993
Debtors - amounts falling due within one year	12	179,197	110,538
Debtors - amounts falling due after more than one year	12	121	810
Cash at bank and in hand		13,485	10,381
		<hr/>	<hr/>
		216,655	143,722
CREDITORS: amounts falling due within one year	13	(211,745)	(159,733)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		4,910	(16,011)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,213	5,049
CREDITORS: amounts falling due after more than one year	14	(21,528)	-
		<hr/>	<hr/>
		6,685	5,049
		<hr/>	<hr/>
CAPITAL AND RESERVES			
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	42	(1,594)
		<hr/>	<hr/>
		6,685	5,049
		<hr/>	<hr/>

Approved by the Board on 16 October 1995.

T Score

T Score
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 1994**

	Notes	<u>1994</u> £'000	<u>1993</u> £'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		18,636	(1,004)
Dividends	8	(17,000)	-
		-----	-----
NET ADDITION TO/(REDUCTION FROM) SHAREHOLDERS' FUNDS		1,636	(1,004)
Opening shareholders' funds		5,049	6,053
		-----	-----
Closing shareholders' funds		6,685	5,049
		-----	-----

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994

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.

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.

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>1994</u>	<u>1993</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	83,479	-
Europe	16,742	-
The Americas	35,983	-
Australia and Far East	15,948	-
Africa and Middle East	10,295	-
	-----	-----
	162,447	-
	-----	-----

HAWKER SIDDELEY INDUSTRIES LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)****2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)**

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>1994</u> £'000	<u>1993</u> £'000	<u>1994</u> £'000	<u>1993</u> £'000
Industrial	162,447	-	26,923	(1,004)
Finance Costs	-	-	(27)	-
Other	-	-	16	-
	<hr/>	<hr/>	<hr/>	<hr/>
	162,447	-	26,912	(1,004)
	<hr/>	<hr/>	<hr/>	<hr/>

Turnover and operating profit figures for acquisitions relate to acquisitions made with effect from 31 December 1993.

3. OPERATING COSTS LESS OTHER OPERATING INCOME

	<u>1994</u> £'000	<u>1993</u> £'000
Change in stocks of finished goods and works in progress	2,409	-
Raw materials and consumables	57,156	-
Other external charges	22,632	1,004
Staff costs (Note 5)	50,096	-
Depreciation	3,231	-
	<hr/>	<hr/>
	135,524	1,004
	<hr/>	<hr/>

Operating costs less other income are stated after charging:

	<u>1994</u> £'000	<u>1993</u> £'000
Auditors' remuneration - audit fees	66	-
Depreciation of owned fixed assets	3,231	-
Research and development expenditure written off	1,546	-
Operating lease rentals - plant and machinery	1,104	-
- land and buildings	3,533	-

Remuneration of the auditors for non-audit services supplied to the Company amounted to £13,000 (1993 - nil).

4. DIRECTORS' REMUNERATION

None of the directors received any emoluments from the Company during the year (1993 - nil).

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

5. EMPLOYEES

	<u>1994</u> £'000	<u>1993</u> £'000
Wages and salaries	45,303	-
Social security costs	4,356	-
Other pension costs	437	-
	<hr/> 50,096 <hr/>	<hr/> - <hr/>

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

	<u>1994</u> No	<u>1993</u> No
Administration	420	-
Production	2,228	-
Marketing	181	-
Research and development	36	-
	<hr/> 2,865 <hr/>	<hr/> - <hr/>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1994</u> £'000	<u>1993</u> £'000
Bank loans and overdrafts	21	-
Foreign exchange loss	6	-
	<hr/> 27 <hr/>	<hr/> - <hr/>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1994</u> £'000	<u>1993</u> £'000
Corporation tax at 33% (1993 - 33%)	8,276	-
Less: double tax relief	(4)	-
	<hr/> 8,272 <hr/>	<hr/> - <hr/>
Overseas tax	4	-
	<hr/> 8,276 <hr/>	<hr/> - <hr/>

If full provision had been made for deferred tax for the year, the taxation charge would have been increased by £755,000 (1993 - £1,741,000)

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

8. DIVIDENDS	<u>1994</u> £'000	<u>1993</u> £'000
Ordinary - Final proposed of 340p per share (1993 - nil)	17,000	-

9. TANGIBLE ASSETS	Land & Buildings	Plant & Machinery	Total
	£'000	£'000	£'000
Cost			
At 1 January 1994	573	49,947	50,520
Additions	371	5,616	5,987
Transfers	(146)	(409)	(555)
Disposals	-	(270)	(270)
	-----	-----	-----
At 31 December 1994	798	54,884	55,682
	-----	-----	-----
Depreciation			
At 1 January 1994	(89)	(29,371)	(29,460)
Charge for the year	(10)	(3,221)	(3,231)
Transfers	-	57	57
Disposals	-	255	255
	-----	-----	-----
At 31 December 1994	(99)	(32,280)	(32,379)
	-----	-----	-----
Net Book Value			
At 1 January 1994	484	20,576	21,060
	-----	-----	-----
At 31 December 1994	699	22,604	23,303
	-----	-----	-----

The net book value of land and buildings is comprised of:	<u>1994</u> £'000	<u>1993</u> £'000
Long leasehold improvements	675	483
Short leasehold improvements	24	1
	-----	-----
	699	484
	-----	-----

10. INVESTMENTS	Shares in unlisted companies	Loans to unlisted companies
	£'000	£'000
Cost		
At 1 January 1994 and 31 December 1994	476	88
	-----	-----
Provision		
At 1 January 1994 and 31 December 1994	(476)	(88)
	-----	-----
Net Book Value		
At 1 January 1994 and 31 December 1994	-	-
	-----	-----

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

10. INVESTMENTS (Continued)

Details of significant holdings in unlisted companies are as follows:

Name of company	Country of registration, incorporation and operation	Holding	Proportion Held
Daita Power Electronic Systems Ltd	England	Ordinary Shares 10% Cumulative Preference	20% 20%

11. STOCKS

	<u>1994</u> £'000	<u>1993</u> £'000
Raw materials and consumables	6,096	6,397
Work in progress	17,776	19,601
Finished goods	307	891
	<hr/>	<hr/>
Less: Progress payments	24,179 (327)	26,889 (4,896)
	<hr/>	<hr/>
	23,852	21,993
	<hr/>	<hr/>

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

12. DEBTORS

	<u>1994</u> £'000	<u>1993</u> £'000
Amounts falling due within one year		
Trade debtors	41,176	39,571
Amounts due from parent and fellow subsidiary undertakings	134,444	67,993
Other debtors	2,470	1,544
Prepayments	1,107	1,430
	<hr/>	<hr/>
	179,197	110,538
	<hr/>	<hr/>
Amounts falling due after more than one year		
Trade debtors	121	550
Prepayments	-	260
	<hr/>	<hr/>
	121	810
	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

13. CREDITORS: amounts falling due within one year	<u>1994</u> £'000	<u>1993</u> £'000
Bank loans	478	2
Trade creditors	20,809	20,864
Amounts due to parent and fellow subsidiary undertakings	159,996	126,019
Current corporation tax	3,100	-
Other taxes and social security	1,524	1,462
Other creditors	4,741	5,206
Accruals	4,097	6,180
Proposed dividend	17,000	-
	<hr/>	<hr/>
	211,745	159,733
	<hr/>	<hr/>

14. CREDITORS: amounts falling due after more than one year	<u>1994</u> £'000	<u>1993</u> £'000
Amounts due to parent and fellow subsidiary undertakings	21,528	-
	<hr/>	<hr/>

15. DEFERRED TAXATION	<u>Provided</u>		<u>Not Provided</u>	
	<u>1994</u> £'000	<u>1993</u> £'000	<u>1994</u> £'000	<u>1993</u> £'000
Capital allowances	-	-	2,647	2,057
Other differences	-	-	(151)	(316)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	2,496	1,741
	<hr/>	<hr/>	<hr/>	<hr/>

16. CALLED UP SHARE CAPITAL	<u>Authorised, Allotted, Called up and Fully Paid</u>	
	<u>1994</u> £'000	<u>1993</u> £'000
5,000,000 ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>

17. RESERVES	<u>Share Premium Account</u> £'000	<u>Capital Reserve</u> £'000	<u>Profit and Loss Account</u> £'000
At 1 January 1994	279	1,364	(1,594)
Retained profit for the financial year			1,636
	<hr/>	<hr/>	<hr/>
At 31 December 1994	279	1,364	42
	<hr/>	<hr/>	<hr/>

HAWKER SIDDELEY INDUSTRIES LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)****18. CAPITAL COMMITMENTS**

	<u>1994</u> £'000	<u>1993</u> £'000
Contracted	839	1,227
Authorised but not yet contracted for	962	711
	<hr/>	<hr/>
	1,801	1,938
	<hr/>	<hr/>

19. OPERATING LEASE COMMITMENTS

At 31 December 1994, the Company had commitments under operating leases to make payments in 1995 under agreements expiring as below:

	<u>1994</u>		<u>1993</u>	
	<u>Land & Buildings</u> £'000	<u>Other</u> £'000	<u>Land & Buildings</u> £'000	<u>Other</u> £'000
within one year	3,484	277	-	140
within two to five years	-	566	-	739
in over five years	150	10	-	60
	<hr/>	<hr/>	<hr/>	<hr/>
	3,634	853	-	939
	<hr/>	<hr/>	<hr/>	<hr/>

20. 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.

21. 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.

22. 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.

HAWKER SIDDELEY INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

23. 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.