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SOUTH WALES SWITCHGEAR LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 1990



SOUTH WALES SWITCHGEAR LIMITED
(Registered Number 370559)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1990**

The directors submit their report together with the audited accounts for the year ended 31 December 1990.

DIRECTORS

The directors of the company during the year were:

Mr RP Hampson
Mr DA Whitaker (resigned 30 November 1990)
Mr MG Simms
Mr GJ Clarke
Mr RE Malone
Mr CA Martin
Mr J Parry

Since the year end Mr JD West has been elected a director.

The company maintains insurance cover to indemnify directors and officers against any liability for negligence or breach of duty in relation to the company.

DIRECTORS' INTERESTS IN HAWKER SIDDELEY GROUP

Directors' registered interests in ordinary shares of Hawker Siddeley Group plc and options to subscribe for such shares granted to them or exercised by them during the year are set out as follows:

	Interest in shares 1990		Options to subscribe for shares 1990	
	<u>1 January</u>	<u>31 December</u>	<u>Granted</u>	<u>Exercised</u>
RP Hampson	-	500	41,555	6,258
MG Simms	-	-	8,876	-
GJ Clarke	-	-	1,752	-
RE Malone	-	-	584	-
CA Martin	-	-	934	-
J Parry	-	-	-	-

PROFITS AND DIVIDENDS

	<u>£</u>
Net profit for 1990	2,504,116
Interim dividends - payable	<u>(700,000)</u>
Profit retained	<u>1,804,116</u>

It is not proposed to recommend the payment of a further dividend in respect of the year ended 31 December 1990.

SOUTH WALES SWITCHGEAR LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1990 (CONTINUED)

OPERATIONS

The principal activity of the company is the manufacture and sale of distribution switchgear.

The company experienced a difficult trading year in 1990 particularly in the first six months and although the second half performance improved considerably, the years results were slightly down on the 1989 achievements. Firm orders for Kuwait were unable to be delivered because of the Middle East crisis and export performance generally was depressed. Home market business remains relatively good whilst a new competitive gas breaker will be launched in 1991 which should improve, in the long term, export market penetration and create new export opportunities.

Since the end of the year an announcement has been made that the company is to be amalgamated over a two year period with the other Hawker Siddeley Group switchgear company, Brush Switchgear Limited of Loughborough, Leicestershire.

EMPLOYEE INVOLVEMENT

The number of employees participating in the Hawker Siddeley Group Savings Related Share Option Scheme continues to grow and a further invitation to apply for options under the Scheme to subscribe for shares in Hawker Siddeley Group plc was issued to eligible employees in October 1990.

As in previous years the company has continued its policy of briefing all employees regarding matters associated with company performance and prospects both through the medium of a newsletter and also by direct communication.

With the growing interest and legislation surrounding aspects of safety at work the company encourages regular meetings of the Health and Safety Committee representing employees drawn from all sections of the company.

EMPLOYMENT OF DISABLED PERSONS

Appointments to vacant positions in the company are made on the basis of individual capabilities; full and fair consideration is afforded to applications from suitably qualified disabled persons and to their subsequent career advancement within the company. When existing employees become disabled, opportunities are sought to re-train them so as to enable them to continue their current work or to undertake other work within the company which is suited to their aptitudes and abilities.

SOUTH WALES SWITCHGEAR LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1990 (CONTINUED)

FIXED ASSETS

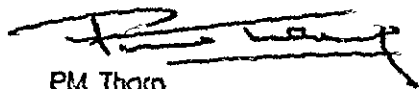
Details of changes in tangible fixed assets during the year are given in note 6 to the accounts.

Freehold land and buildings have been revalued during the year and are included in the accounts of the company at the amount of the professional revaluation as at 31 December 1990. The effect of the revaluation was to increase the value of the property by £1.582 million.

AUDITORS

The auditors, Messrs Price Waterhouse, will continue in office pursuant to Section 386 of the Companies Act 1985.

By Order of the Board



PM Thorp
Secretary

Blackwood
Gwent
NP2 2XH

17 April 1991

17 April 1991

SOUTH WALES SWITCHGEAR LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>Note</u>	<u>1990</u> £	<u>1989</u> £
Turnover	3	22,490,786	21,547,427
Change in stocks of finished goods and work in progress		190,666	(1,340,323)
		<u>22,681,452</u>	<u>20,207,104</u>
Raw materials and consumables		(7,934,243)	(8,253,540)
Other external charges		(2,904,815)	(1,189,381)
Staff costs:			
Wages and salaries		(7,934,853)	(7,058,842)
Social security costs		(795,594)	(714,891)
Other pension costs		(43,599)	(150,127)
Depreciation and other amounts written off tangible fixed assets		(468,000)	(439,720)
		<u>20,081,104</u>	<u>17,806,501</u>
Operating profit		2,600,348	2,400,603
Interest receivable and similar income		1,353,768	1,103,130
		<u>3,954,116</u>	<u>3,503,733</u>
Profit on ordinary activities before taxation	4	3,954,116	3,503,733
Taxation on profit on ordinary activities	5	(1,450,000)	(1,142,855)
		<u>2,504,116</u>	<u>2,360,878</u>
Profit for the financial year		2,504,116	2,360,878
Dividends		(700,000)	(650,000)
		<u>1,804,116</u>	<u>1,710,878</u>
Amount set aside to reserves	14	1,804,116	1,710,878

The notes on pages 8 to 16 form part of these accounts.

SOUTH WALES SWITCHGEAR LIMITED

BALANCE SHEET - 31 DECEMBER 1990

	Note	<u>1990</u>		<u>1989</u>	
		£	£	£	£
TANGIBLE FIXED ASSETS	6		5,015,752		3,289,836
GROUP LOANS					
Repayable on demand	7		8,555,000		7,996,000
CURRENT ASSETS					
Stocks	8	2,595,223		2,345,117	
Debtors	9	8,022,637		7,108,400	
Cash at bank and in hand		<u>662,202</u>		<u>325,541</u>	
		11,280,062		9,779,058	
CREDITORS amounts falling due within one year	10	<u>8,606,829</u>		<u>8,159,290</u>	
NET CURRENT ASSETS			<u>2,673,433</u>		<u>1,619,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,244,185</u>		<u>12,905,604</u>
REPRESENTING					
PROVISIONS FOR LIABILITIES AND CHARGES	12		571,427		618,552
CAPITAL AND RESERVES					
Called up share capital	13	1,015,500		1,015,500	
Share premium account	14	1,534,500		1,534,500	
Revaluation reserve	14	2,500,451		933,519	
Profit and loss account	14	<u>10,672,307</u>		<u>8,803,523</u>	
			<u>15,672,758</u>		<u>12,287,052</u>
			<u>16,244,185</u>		<u>12,905,604</u>

Approved by the Board on

17th April 1991
C. Clarke
Director

The notes on pages 8 to 16 form part of these accounts

SOUTH WALES SWITCHGEAR LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>1990</u> £	<u>1989</u> £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	3,954,116	3,503,733
Adjustment for items not involving the movement of funds:		
Depreciation	468,000	439,720
Surplus on sale of tangible fixed assets	<u>(421)</u>	<u>(14,347)</u>
Funds generated from operations	4,421,695	3,929,106
Funds from other sources:		
Proceeds of sale of tangible fixed assets	<u>53,987</u>	<u>42,242</u>
Total inflow of funds	<u>4,475,682</u>	<u>3,971,348</u>
APPLICATION OF FUNDS		
Decrease in provision for liabilities and charges	47,125	228,071
Dividend paid	650,000	500,000
Purchase of tangible fixed assets	665,892	436,413
Taxation paid	659,947	1,194,158
Increase/(decrease) in working capital:		
Stocks	250,106	(547,733)
Debtors	914,237	2,138,733
Creditors falling due within one year	<u>392,714</u>	<u>(1,315,339)</u>
Total application of funds	<u>3,580,021</u>	<u>2,634,303</u>
Generation of funds	895,661	1,337,045
Cash at bank and in hand and inter-group loan at beginning of year	<u>8,321,541</u>	<u>6,984,496</u>
At end of year	<u>9,217,202</u>	<u>8,321,541</u>
Comprising:		
Bank balance	662,202	325,541
Loan to holding company	<u>8,555,000</u>	<u>7,996,000</u>
	<u>9,217,202</u>	<u>8,321,541</u>

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990

1 HOLDING COMPANY

The ultimate holding company of South Wales Switchgear Limited is Hawker Siddeley Group plc. Both companies are registered in England.

2 ACCOUNTING POLICIES

a) Accounting convention

The accounts have been prepared under the historic cost convention except for the revaluation of land and buildings and have been prepared in accordance with applicable accounting standards.

b) Translation of foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling using the appropriate rates of exchange ruling at 31 December 1990 and the trading result for the year is translated at the average of the rates prevailing during the period.

c) Turnover

Turnover comprises the invoice value of goods and services supplied by the company exclusive of Value Added Tax.

d) Trading profit

Trading profit is taken up when title passes to the customer or when services are rendered, and is stated after making allowance for the estimated cost of after sales service and other expenditure to be incurred subsequently. In the case of long term contracts, namely those extending over more than one year, a prudent level of profit attributable to the proportionate deliveries is taken up if the final outcome of such contracts can be reliably assessed.

On all contracts, full provision is made for any losses in the year in which they are first foreseen.

e) Research and development expenditure

Research and development expenditure, other than that specifically recoverable under contracts, is written off in the year in which it is incurred.

f) Fixed assets and depreciation

Freehold land and buildings were stated at professional valuation at 31 December 1990. Buildings are depreciated at the rate of 2% per annum on the revalued amounts and on subsequent cost.

Other fixed assets are stated at cost after deducting government grants and accumulated depreciation. The basis of depreciation is to write off the cost of assets, less government grants, over their estimated useful lives. The rates of depreciation vary according to the type of asset and (in general) are: plant and machinery 10%, 20% or 33.3% per annum according to the nature of the asset.

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

g) Stock and work in progress

Stock and work in progress is stated at the lower of cost (including an appropriate proportion of overheads) and estimated realisable value less progress payments. The estimated realisable value is arrived at after having regard to the estimated costs to completion of contracts.

h) Deferred taxation

Provision is made for deferred taxation arising from timing differences other than those which can be demonstrated with reasonable probability to continue into the future. Timing differences are due primarily to the excess of tax allowances on fixed assets over the corresponding depreciation charged in the accounts.

i) Pension fund

Contributions to the principal Hawker Siddeley Group pension schemes are assessed by a qualified actuary based on the cost of providing pensions across all participating Hawker Siddeley Group Companies. Costs are not determined for each individual company; hence contributions are charged to the profit and loss account in the period for which they become payable.

j) Operating leases

Operating lease rentals are charged to the profit and loss account over the period of each lease on a straight line basis.

3 TURNOVER

The analysis of turnover by geographical area is as follows:

	<u>1990</u>	<u>1989</u>
	£000	£000
United Kingdom	16,766	12,835
Others	5,725	8,712
	<u>22,491</u>	<u>21,547</u>

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	<u>1990</u> £	<u>1989</u> £
Wages and salaries	7,934,853	7,058,842
Social security costs	795,594	714,891
Other pension costs	43,599	150,127
Depreciation	468,000	439,720
Hire of plant, machinery and equipment	15,993	9,221
Rental of premises	2,500	2,890
Auditors' remuneration	24,500	22,000
Interest derived from group undertakings	(1,208,831)	(1,021,217)
	<u> </u>	<u> </u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1990</u> £	<u>1989</u> £
UK Corporation tax at 34.25% (1989: 35%)	1,450,000	1,200,000
Prior year	-	(54,145)
Deferred taxation		
Current year	-	(3,000)
	<u> </u>	<u> </u>
	1,450,000	1,142,855
	<u> </u>	<u> </u>

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

6 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Total £
<u>Cost or valuation</u>			
At 1 January 1990	2,300,000	3,412,000	5,712,000
Additions	-	404,770	404,770
Disposals	-	(122,115)	(122,115)
Revaluation	1,325,000	-	1,325,000
	<hr/>	<hr/>	<hr/>
At 31 December 1990	3,625,000	3,694,655	7,319,655
	<hr/>	<hr/>	<hr/>
<u>Accumulated depreciation</u>			
At 1 January 1990	219,586	2,426,761	2,646,347
Provision for the year	37,004	257,000	294,004
Disposals	-	(68,553)	(68,553)
Revaluation	(256,590)	-	(256,590)
	<hr/>	<hr/>	<hr/>
At 31 December 1990	-	2,615,208	2,615,208
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1990	3,625,000	1,079,447	4,704,447
	<hr/>	<hr/>	<hr/>
Jigs, tools and equipment at cost less amounts written off	-		311,305
			<hr/>
			5,015,752
			<hr/>
Net book value at 31 December 1989	2,080,414	985,239	3,065,653
	<hr/>	<hr/>	<hr/>
Jigs, tools and equipment at cost less amounts written off			224,183
			<hr/>
			3,289,836
			<hr/>

Freehold land and buildings were revalued at 31 December 1990 based on a valuation of £3,625,000 by the Group Property Advisor, an employee of the Hawker Siddeley Group who is a Fellow of the Royal Institute of Chartered Surveyors and a Fellow of the Incorporated Society of Valuers and Auctioneers, in consultation with Edward Rushton Son & Kenyon. The valuation gives rise to an additional revaluation reserve of £1,581,590.

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

6 TANGIBLE FIXED ASSETS (CONTINUED)

Assets included at a valuation would have been included on a historical cost basis at:

	<u>1990</u>	<u>1989</u>
	<u>Land and buildings</u>	<u>Land and buildings</u>
	£	£
Cost	1,245,861	1,245,861
Aggregate depreciation	<u>507,457</u>	<u>485,511</u>

Future capital expenditure not provided in the accounts:

	<u>1990</u>	<u>1989</u>
	£	£
Contracts placed	94,000	274,000
Authorised by the directors but contracts not yet placed	<u>384,000</u>	<u>360,000</u>
	<u>478,000</u>	<u>634,000</u>

7 GROUP LOANS

This represents a loan to the immediate holding company.

8 STOCKS

	<u>1990</u>	<u>1989</u>
	£	£
Raw materials and consumables	1,564,439	1,474,026
Work in progress	915,820	1,008,880
Finished goods	283,730	-
Payments on account	<u>(168,766)</u>	<u>(137,789)</u>
	<u>2,595,223</u>	<u>2,345,117</u>

The replacement cost of stocks is not materially different from the assets stated above.

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

9 DEBTORS

	<u>1990</u> £	<u>1989</u> £
Trade debtors	7,247,130	6,519,674
Amounts owed by group companies	447,537	293,786
Other debtors	116,937	129,851
Prepayments	211,033	165,089
	<u>8,022,637</u>	<u>7,108,400</u>

10 CREDITORS (amounts falling due within one year)

	<u>1990</u> £	<u>1989</u> £
Trade creditors	1,498,508	1,752,539
Customers' deposits	539,367	892,512
Amounts owed to group companies	219,131	152,723
Loan owed to group company	-	460,000
Corporation tax	3,868,348	3,078,295
Taxation (other than corporation tax)	138,480	189,409
Social security	146,120	114,854
Accruals and deferred income	1,496,677	868,958
Proposed dividend	700,000	650,000
	<u>8,606,629</u>	<u>8,159,290</u>

11 OPERATING LEASES

	<u>1990</u> £	<u>1989</u> £
Operating leases on plant and machinery:		
Annual commitments which expire:		
Under one year	320,914	258,389
In the second to fifth year inclusive	860,819	1,181,733
	<u>1,181,733</u>	<u>1,440,122</u>

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred taxation</u> £	<u>Other provisions</u> £	<u>Total</u> £
Balance at 31 December 1989	140,000	478,552	618,552
Release to profit and loss account	-	(884)	(884)
Utilised during the year	-	(227,819)	(227,819)
Charge for the year in the profit and loss account	-	181,578	181,578
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1990	140,000	431,427	571,427
	<hr/>	<hr/>	<hr/>

Other provisions have been set aside to meet expected future expenditure which mainly relates to after sales service, deferred repairs and penalties.

There is no provision for pensions, all amounts being provided in Hawker Siddeley Group plc accounts.

Deferred taxation comprises corporation tax at 35% on:

	<u>1990</u> £	<u>1989</u> £
Excess of capital allowances over depreciation	140,000	140,000
	<hr/>	<hr/>

There is no other significant deferred taxation.

No provision has been made for taxation on any capital gain which might become payable if properties were disposed of at their current valuation as it is not the current intention of the directors to dispose of the properties.

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

13 SHARE CAPITAL

	<u>1990</u> £	<u>1989</u> £
Authorised		
Ordinary shares of 25p each	1,016,000	1,016,000
Alotted, called up and fully paid		
Ordinary shares of 25p each	1,015,500	1,015,500

14 RESERVES

	<u>Share premium account</u> £	<u>Profit and loss account</u> £	<u>Revaluation reserve</u> £	<u>Total</u> £
At 31 December 1989	1,534,500	8,803,533	933,519	11,271,552
Retained profit for the financial year	-	1,804,116	-	1,804,116
Surplus arising on valuation in the year	-	-	1,581,590	1,581,590
Depreciation on excess of valuation over cost	-	14,658	(14,658)	-
At 31 December 1990	1,534,500	10,622,307	2,500,451	14,657,258

The revaluation reserve arises from the revaluation of land and buildings in 1990 and previous years.

15 EMPLOYEES

The average number of persons employed by the company during the year was 695 (1989: 679).

No employees, other than directors, received emoluments (excluding pension contributions) exceeding £30,000.

SOUTH WALES SWITCHGEAR LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1990 (CONTINUED)

16 DIRECTORS' EMOLUMENTS

	<u>1990</u> £	<u>1989</u> £
Directors' emoluments, being solely in respect of current executive directors for both years, totalled	275,001	236,600

The Chairman's emoluments, excluding pension scheme contributions were £Nil (1989 - Nil).

The emoluments, excluding pension scheme contributions, of the highest paid director were £53,606 (1989 - £48,450).

The table which follows shows the number of other directors whose emoluments, excluding pension contributions were within the bands stated:

	<u>1990</u>	<u>1989</u>
£Nil to £5,000	1	1
Between £30,001 and £35,000	-	1
Between £35,001 and £40,000	-	3
Between £40,001 and £45,000	4	-

17 PENSION COMMITMENTS

The company participates in the principal Hawker Siddeley Group pension schemes. These schemes are of a defined benefit type providing benefits to certain employees within the Hawker Siddeley Group and their assets are held separately from the Group's assets.

The latest actuarial valuation of the main Hawker Siddeley Group pension scheme was carried out as at 31 March 1989. Details of this valuation are contained in the financial statements of Hawker Siddeley Group plc.

In 1990, due to a pension holiday, contributions were charged to the profit and loss account only in respect of directors.

18 CONTINGENT LIABILITIES

There are contingent liabilities of £1.636 million (1989 - £2.674 million) arising in the ordinary course of business relating principally to bonds outstanding, but in the opinion of the directors adequate provision has been made for any loss which might fall on the Company.