

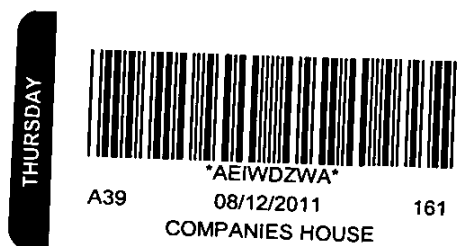
Css House

Nidec SR Drives Ltd.

**Directors' report and financial
statements**

Registered number 1517273

6 months to 31 March 2011



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Company information

| | |
|-------------------|--|
| Directors | RJ Blake DM Sugden GT Brown MJ Turner RA Heppe RJ Elliott PK Sood MI Wall |
| Secretary | MI Wall |
| Registered Office | East Park House Otley Road Harrogate North Yorkshire HG3 1PR |
| Company Number | 1517273 |
| Auditors | PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP |

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31st March 2011

Principal activities

The principal activities of the company are consultancy, design, development and manufacture of electrical equipment, particularly in the field of electrical variable speed drives. To date, all engineering activities have been directed towards design and development of new technology and associated engineering for client organisations. No manufacturing has been undertaken on the company's own account.

Business review

Sales for the 6 months ended 31 March 2011 were at £1,188k compared to £3,676k for the previous 12 months. This represents a year on year fall of £1.3m. £700k of this is attributed to our change in ownership due to a reduction in inter-company sales to members of the Emerson Group. We are currently making good progress on replacing all of these lost sales within the Nidec group of companies. Licence fee income was £300k lower in 2011 than that earned in 2010. We anticipate that fee income will improve in the current year though not to the levels of 2010. Reduced licence fee income from third parties will result from the strategic goal of fully integrating into the Nidec Group as we foresee that more of our design and development work will be for group customers rather than externally.

Our direct costs also increased both in terms of % to sales and value due to increased materials costs. Our forecast for the current year is that material costs will fall back to 2010 levels.

Our annualised administration cost increased by £120k. Intellectual property costs accounted for £70k and costs associated with the transfer of our ownership a further £50k. We anticipate that our IP costs will remain high due to a shift in policy, but savings elsewhere will negate this increase.

The overall effect is an operating loss of £560k from £545k profit during 2010, a disappointing performance. However the reasons for that performance are clear and work is underway to bring the company back into profit.

There is some risk associated with the reduction in turnover due to the sale of the company to Nidec. If these sales are not replaced then the reduction in turnover and its consequent effects on cash flow and profitability will continue. However the Directors are in possession of a letter of financial support from Mr R. M. DelGallo, the Chief Financial Officer of Nidec Motor Corporation.

Once again The Board is pleased to report that the current volume of enquiries received for our services is very high. The level of enquiries reflects the increasing concerns regarding climate change and global warming allied with lower international carbon emission targets and the increasing materials costs of motors, (particularly the rare earth costs of magnets), which do not utilise Switched Reluctance technology.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates and credit risk.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual debtor is subject to a limit which is authorised as appropriate to the size of indebtedness.

Currency Risk

The company has current assets and liabilities denominated in foreign currency and there is a degree of risk associated with fluctuating exchange rates. The company does not use financial instruments to manage these risks.

which are considered too small to and as such no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the company's operation change in size.

Ownership

On 1st October 2010 Nidec Corporation acquired the Motors and Controls business which formerly belonged to Emerson Corporation. The integration of these businesses into Nidec is well underway. Our new owners believe that the technology that Nidec SR Drives is developing has a significant part to play in the future of the group. Opportunities to bring the technology into new areas are actively encouraged. Nidec's business philosophy is to become the world's number one manufacturer of comprehensive drive technology and we are confident in our ability to help our new owners to achieve that aim.

Accounting Reference Date

Following the transfer of ownership the company's year-end changed to 31st March. The reported results are therefore for the period 1st October 2010 to 31st March 2011.

Post Balance Sheet Events

On 1st April 2011 ownership of the company was transferred to Nidec Motor Holdings Corporation which is incorporated in Japan. There are no other post balance sheet events.

Dividends

No dividends have been paid in respect of the ordinary £1 shares (2010 £9,741,346).

Directors

The directors who served during the year are set out on page 1.

Disclosure of information to auditors

In the case of each of the persons who are directors at the time when this report is approved, the following applies:

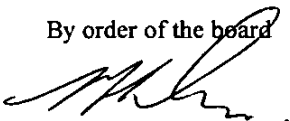
So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M Wall
Secretary

East Park House
Otley Road
Harrogate
North Yorkshire
HG3 1PR

10th June 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' report to the members of Nidec SR Drives Ltd.

We have audited the financial statements of Nidec SR Drives Limited for the period ended 31 March 2011 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements of the Company as of 30 September 2010 were audited by another auditor whose report dated 16 March 2011, expressed an unqualified opinion on those statements.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent Auditors' report to the members of Nidec SR Drives Ltd. (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

10 June 2011

Profit and loss account
for the period ended 31 March 2011

| | <i>Note</i> | 2011 6 months £ | 2010 12 months £ |
|---|-------------|--|---|
| Turnover | 2 | 1,188,176 | 3,675,997 |
| Cost of sales | | (940,670) | (1,690,643) |
| | | <hr/> | <hr/> |
| Gross profit | | 247,506 | 1,985,354 |
| Administrative expenses | | (807,886) | (1,493,968) |
| | | <hr/> | <hr/> |
| Operating (loss) / profit | | (560,380) | 491,386 |
| Interest receivable and similar income | 4 | 541 | 53,409 |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities before taxation | 3 | (559,839) | 544,795 |
| Tax on profit on ordinary activities | 7 | 144,118 | (145,389) |
| | | <hr/> | <hr/> |
| (Loss) / profit for the financial period | 15 | (415,721) | 399,406 |
| | | <hr/> <hr/> | <hr/> <hr/> |

There are £151,326 tax losses carried forward which are available to be utilised against future profits

There are no gains or losses in the period other than those disclosed in the profit and loss account

In both the current and preceding period, the company made no acquisitions and had no discontinued activities

In both the current and preceding period, there was no material difference between the loss/profit reported in the profit and loss account and the profit on an unmodified historical cost basis

Balance sheet
at 31 March 2011

| | <i>Note</i> | 2011 | 2010 |
|--|-------------|------------------|------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 8 | 1,381,411 | 1,404,275 |
| Investments | 9 | 1 | 1 |
| | | <u>1,381,412</u> | <u>1,404,276</u> |
| Current assets | | | |
| Stocks | 10 | 47,319 | 16,229 |
| Debtors | 11 | 492,415 | 769,003 |
| Cash at bank and in hand | | 83,597 | 380,218 |
| | | <u>623,331</u> | <u>1,165,450</u> |
| Creditors amounts falling due within one year | 12 | (451,224) | (600,486) |
| Net current assets | | <u>172,107</u> | <u>564,964</u> |
| Net assets | | <u>1,553,519</u> | <u>1,969,240</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 134,146 | 134,146 |
| Share premium account | 15 | 547,118 | 547,118 |
| Profit and loss account | 15 | 872,255 | 1,287,976 |
| Shareholders' funds | 16 | <u>1,553,519</u> | <u>1,969,240</u> |

These financial statements were approved by the board of directors on 10th June 2011 and were signed on its behalf by



RJ Blake
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary of Nidec Corporation, and cash flows are included within the consolidated cash flow statement of that company

As the company is a wholly owned subsidiary of Nidec Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of the ultimate parent company, within which this company is included, can be obtained from the address given in note 18. There were no other related party transactions.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|--------------------------------|---|---------------|
| Freehold buildings | - | 2½% per annum |
| Development and test equipment | - | 20% per annum |
| Furniture and equipment | - | 20% per annum |

Research and development expenditure

All expenditure relating to fixed assets used in the company's research and development work is capitalised and written off over its useful life. All other expenditure relating to research and development is written off in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

1 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company's pension costs for the period in respect of the defined contributions amounted to £109,660 (2010 £130,809). The contributions outstanding at the period end amounted to £8,460 (2009 £9,649).

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Foreign Currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Turnover

Turnover derived from the one class of business is attributable to each of the company's geographical markets as follows:

| | 2011 6 months £ | 2010 12 months £ |
|-------------------------------|-----------------------|------------------------|
| <i>By geographical market</i> | | |
| United Kingdom | 189,033 | 504,770 |
| Europe | 146,250 | 360,870 |
| The Americas | 788,950 | 2,810,357 |
| Asia and Far East | <u>63,943</u> | <u> </u> |
| | <u>1,188,176</u> | <u>3,675,997</u> |

Notes (continued)

3 Profit on ordinary activities before taxation

| | 2011 6 months £ | 2010 12 months £ |
|--|-----------------------|------------------------|
| Profit on ordinary activities before taxation is arrived at after charging | | |
| Depreciation of tangible fixed assets (see note 8) | 42,540 | 88,704 |
| Auditors' remuneration | | |
| for audit services | 13,500 | 13,500 |
| for non-audit services | - | - |
| Exchange losses | 33,800 | 48,515 |
| Staff costs (see note 5) | 858,805 | 1,677,905 |
| | <u>858,805</u> | <u>1,677,905</u> |

4 Interest receivable and similar income

| | 2011 6 months £ | 2010 12 months £ |
|-----------------------|-----------------------|------------------------|
| Bank deposit interest | - | 24,676 |
| Other | 541 | 28,733 |
| | <u>541</u> | <u>53,409</u> |

5 Employees

| | 2011 6 months £ | 2010 12 months £ |
|-----------------------|-----------------------|------------------------|
| Wages and salaries | 665,774 | 1,378,032 |
| Social security costs | 83,371 | 169,064 |
| Pension contributions | 109,660 | 130,809 |
| | <u>858,805</u> | <u>1,677,905</u> |

| | 2011 Number | 2010 Number |
|---|----------------|----------------|
| <i>Average number of people (including directors) employed by the company during the period</i> | | |
| Directors | 7 | 5 |
| Technical support | 27 | 26 |
| Administration | 4 | 5 |
| | <u>38</u> | <u>36</u> |

Notes (continued)

6 Directors emoluments

| | 2011 6 months £ | 2010 12 months £ |
|---|-----------------------|------------------------|
| <i>Directors' emoluments</i> | | |
| Remuneration | 155,070 | 317,952 |
| Company contributions to money purchase pension scheme | 63,987 | 35,315 |
| | <u>219,057</u> | <u>353,267</u> |
| | | |
| | Number | Number |
| Number of directors accruing benefits through a money purchase pension scheme | <u>5</u> | <u>4</u> |

The emoluments of the highest paid director were £102,460 (2010 £155,824)

In addition, as a part of pre acquisition arrangements between the Directors of Switched Reluctance drives Limited and its ultimate parent company, Emerson Electric Corporation, 2 Directors held 3500 options over shares in Emerson Electric. These options were exercised by the Directors in October and November 2010 at which time the shares had a fair value of approximately £126,000 which result in a net gain of £ 32,829. There are no options in place between the Directors and Nidec Corporation, the new Parent Company.

The highest paid Director received Performance Shares from Emerson with a fair value of approximately £79,000 during November 2010 and exercised 1,500 share options.

7 Tax on (loss) / profit on ordinary activities

Analysis of (credit)/charge in period

| | 2011 6 months £ | 2010 12 months £ |
|--|-----------------------|------------------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | - | 165,299 |
| Adjustments in respect of prior periods | (161,516) | (14,720) |
| | <u>(161,516)</u> | <u>150,579</u> |
| | | |
| <i>Deferred tax (see note 13)</i> | | |
| Origination / reversal of timing differences | 568 | (2,857) |
| Adjustments in respect of prior periods | 16,830 | (2,333) |
| | <u>(144,118)</u> | <u>145,389</u> |
| | | |
| Tax on (loss)/profit on ordinary activities | <u>(144,118)</u> | <u>145,389</u> |

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax (credit)/charge for the period is lower (2010 lower) than the standard rate of corporation tax in the UK of 28%. The differences are explained below

| | 2011 6 months £ | 2010 12 months £ |
|--|-----------------------|------------------------|
| <i>Current tax reconciliation</i> | | |
| (Loss) / profit on ordinary activities before tax | (559,839) | 544,795 |
| Current tax at 28% (2009 28%) | (156,755) | 152,543 |
| <i>Effects of</i> | | |
| Expenses/income not deductible for tax purposes | 5,429 | 9,792 |
| Unutilised tax losses | 151,326 | - |
| Other timing differences | | |
| Timing differences between capital allowances and depreciation | - | 2,964 |
| Adjustments in respect of prior periods | (161,516) | (14,720) |
| Total current (credit)/charge | (161,516) | 150,579 |

Notes (continued)

8 Tangible fixed assets

| | Freehold land & buildings £ | Development & test equipment £ | Furniture & equipment £ | Total £ |
|-----------------------|-----------------------------------|--------------------------------------|-------------------------------|------------|
| Cost | | | | |
| At 30 September 2010 | 1,681,279 | 1,769,461 | 424,749 | 3,875,489 |
| Additions | 3,446 | 16,780 | 6,947 | 27,173 |
| Disposals | - | (220,156) | - | (220,156) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2011 | 1,684,725 | 1,566,085 | 431,696 | 3,682,506 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| At 30 September 2010 | 419,578 | 1,646,381 | 405,255 | 2,471,214 |
| Charge for the period | 16,811 | 21,217 | 4,512 | 42,540 |
| Disposals | - | (212,659) | - | (212,659) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2011 | 436,389 | 1,454,939 | 409,767 | 2,301,095 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 March 2011 | 1,248,336 | 111,146 | 21,929 | 1,381,411 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 2010 | 1,261,701 | 123,080 | 19,494 | 1,404,275 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Freehold land and buildings includes £340,000 (2010 £340,000) of non depreciable assets

Fully depreciated assets with a cost value of £1,389,588 were in use as at the period end date

9 Investments

| | 2011 £ | 2010 £ |
|--|-----------|-----------|
| Shares in subsidiary undertaking at cost | 564 | 564 |
| Amount written off | (563) | (563) |
| | <hr/> | <hr/> |
| | 1 | 1 |
| | <hr/> | <hr/> |

At 31 March 2011 the company owned the entire share capital of the following subsidiary undertaking

| | Country of incorporation | Capital & reserves £ | Principal activity |
|-----------------------------|--------------------------|-------------------------|--------------------|
| Nidec Reluctance Motors Ltd | United Kingdom | (221) | Non-trading |

Consolidated accounts have not been presented as permitted by section 401 of the Companies Act 2006 because the group qualifies as small

Notes *(continued)*

10 Stocks

| | 2011 £ | 2010 £ |
|----------------------------|-----------|-----------|
| Components and consumables | 47,319 | 16,229 |

11 Debtors

| | 2011 £ | 2010 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 177,215 | 467,457 |
| Amounts owed by group undertakings | 187,931 | 205,955 |
| Other debtors | 21,392 | 35,067 |
| Prepayments and accrued income | 29,216 | 47,728 |
| Deferred tax | - | 12,796 |
| Corporation tax | 76,661 | - |
| | <u>492,415</u> | <u>769,003</u> |

12 Creditors: amounts falling due within one year

| | 2011 £ | 2010 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 168,956 | 165,893 |
| Amounts owed to group undertakings | 37,308 | 72,245 |
| Other taxes and social security | 40,229 | 36,548 |
| Accruals and deferred income | 200,127 | 233,419 |
| Corporation Tax | - | 92,381 |
| Deferred Tax | 4,604 | - |
| | <u>451,224</u> | <u>600,486</u> |

Notes (continued)

13 Deferred taxation

| | 2011 £ | 2010 £ |
|--|-----------------|---------------|
| Deferred taxation - Depreciation in excess of capital allowances | (6,973) | 10,191 |
| - Short term timing differences | 2,369 | 2,605 |
| | <u>(4,604)</u> | <u>12,796</u> |
| Movement in period | | |
| At beginning of period | 12,796 | 7,606 |
| (Debit) / Credit to profit and loss account | <u>(17,400)</u> | <u>5,190</u> |
| Deferred tax (liability) / asset at end of period | <u>(4,604)</u> | <u>12,796</u> |

14 Share Capital

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | <u>134,146</u> | <u>134,146</u> |

15 Reserves

| | Share premium £ | Profit & loss account £ |
|--|-----------------------|-------------------------------|
| At beginning of year | 547,118 | 1,287,976 |
| Profit / (loss) for the financial year | - | (415,721) |
| At end of year | <u>547,118</u> | <u>872,255</u> |

Note (continued)

16 Reconciliation of movement in shareholders' funds

| | 2011 £ | 2010 £ |
|---|------------------|-------------|
| (Loss) / profit for the financial period / year | (415,721) | 399,406 |
| Net increase / (decrease) in shareholders' funds | (415,721) | 399,406 |
| Opening shareholders' funds | 1,969,240 | 11,311,180 |
| Dividend payment | - | (9,741,346) |
| Closing shareholders' funds | 1,553,519 | 1,969,240 |

17 Commitments

Capital commitments at 31 March 2011 were £56,565 (2010 £nil)

18 Parent company of larger group of which the company is a member

The parent company and group in which the results of the company are consolidated is that headed by Nidec Corporation, which is incorporated in Japan

The consolidated accounts of the ultimate parent company are available to members of the public and may be obtained from the Investor Information section of the Nidec website at WWW.NIDEC.COM