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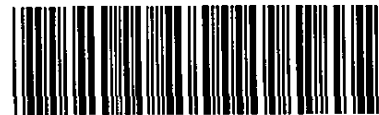
Switched Reluctance Drives Limited

**Directors' report and financial
statements**

Registered number 1517273

30 September 2010

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Company information

Directors	RJ Blake GBW Haines (Resigned 12th January 2010) DM Sugden GT Brown MJ Turner CT Peachee (Resigned 27th September 2010) RA Heppe RJ Elliott (Appointed 27th September 2010) PK Sood (Appointed 27th September 2010) MI Wall (Appointed 27th September 2010)
Secretary	MI Wall
Registered Office	East Park House Otley Road Harrogate North Yorkshire HG3 1PR
Company Number	1517273
Auditors	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2010

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 year ended 30 September 2010 improved by £339k (10.1%) over the previous 12 months. The £/\$ rate of exchange was marginally against the company and therefore the improved turnover is wholly attributable to increased volumes. In last year's business review we stated that the volume of enquiries for the company's services appeared to be rising. This is borne out by the increase in our fee related income which is 20.6% up on 2009 and reflects the increasing concerns regarding climate change and global warming allied with lower international carbon emission targets.

Our direct costs also increased though at a lesser rate than our turnover and this resulted in an improved gross profit up from 51.1% to 54.0%.

Last year we reported that our administration costs had increased due to defending a patent infringement. Those costs continued into fiscal 2010 and, although lower than last year, were significant. Foreign exchange losses during the year have also been high due to the weakening of the dollar against the pound, particularly during the second half of the year. Overall, our administration costs were well controlled, and were 1.3% lower than in 2009.

The overall effect is an improved operating profit of £491k (13.4%) from £192k (5.8%) during 2009, a very pleasing performance.

Once again The Board is pleased to report that the current volume of enquiries received for our services is very high. Were all the enquiries to come to fruition, the company would not be in a position to resource them and therefore the Directors are confident that although we are not yet sold out for the current fiscal year the level of interest will result in a full order book.

Ownership

On 1st October 2010 it was announced that Emerson Electric Company had sold its Motors and Controls business to Nidec Corporation, a company incorporated in Japan. The directors are assessing the likely impact of the sale on Switched Reluctance Drives Ltd which is part of the Motors and Controls business.

It is too early to fully understand what new opportunities will be presented to us following the business transfer. However 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

The company's year-end will change from 30th September to 31st March with immediate effect to fall in line with Nidec Corporation. The next financial period will therefore run from 1st October 2010 to 31st March 2011.

Dividends

Dividends amounting to £9,741,346 have been paid, in respect of the ordinary £1 shares (2009 £nil).

Directors

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

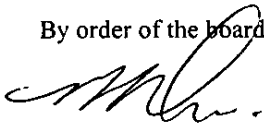
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

During our assessment of the impact of the transfer of ownership from Emerson Electric Company to Nidec Corporation we became aware that PricewaterhouseCoopers were auditors for Nidec. It is therefore likely that a resolution for the re-appointment of KPMG LLP as auditors of the company will not 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

9 March 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 year. 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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent Auditors report to the members of Switched Reluctance Drives Limited

We have audited the financial statements of Switched Reluctance Drives Limited for the year ended 30 September 2010 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors report to the members of Switched Reluctance Drives Limited (*continued*)


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



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

 March 2011

Profit and loss account
for the year ended 30 September 2010

	<i>Note</i>	2010 £	2009 £
Turnover	2	3,675,997	3,337,355
Cost of sales		(1,690,643)	(1,631,593)
Gross profit		1,985,354	1,705,762
Administrative expenses		(1,493,968)	(1,513,837)
Operating profit		491,386	191,925
Interest receivable and similar income	4	53,409	109,549
Profit on ordinary activities before taxation	3	544,795	301,474
Tax on profit on ordinary activities	7	(145,389)	153,692
Profit for the financial year	15	399,406	455,166

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

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

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

Balance sheet
at 30 September 2010

	<i>Note</i>	2010 £	2009 £
Fixed assets			
Tangible assets	8	1,404,275	1,406,621
Investments	9	1	1
		<hr/>	<hr/>
		1,404,276	1,406,622
		<hr/>	<hr/>
Current assets			
Stocks	10	16,229	19,816
Debtors	11	769,003	10,341,665
Cash at bank and in hand		380,218	1,800
		<hr/>	<hr/>
		1,165,450	10,363,281
		<hr/>	<hr/>
Creditors' amounts falling due within one year	12	(600,486)	(458,723)
		<hr/>	<hr/>
Net current assets		564,964	9,904,558
		<hr/>	<hr/>
Net assets		1,969,240	11,311,180
		<hr/>	<hr/>
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	1,287,976	10,629,916
		<hr/>	<hr/>
Shareholders' funds	16	1,969,240	11,311,180
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 9 March 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 Emerson Holding Company Limited, and cash flows are included within the consolidated cash flow statement of that company

As the company is a wholly owned subsidiary of Emerson Holding Company Limited, 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 year 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 year in respect of the defined contributions amounted to £130,809 (2009 £125,958). The contributions outstanding at the year end amounted to £9,649 (2009 £9,719).

Turnover

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

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:

	2010 £	2009 £
<i>By geographical market</i>		
United Kingdom	504,770	480,238
Europe	360,870	182,352
The Americas	2,810,357	2,674,765
	<u>3,675,997</u>	<u>3,337,355</u>

Notes (continued)

3 Profit on ordinary activities before taxation

	2010 £	2009 £
Profit on ordinary activities before taxation is arrived at after charging		
Depreciation of tangible fixed assets	88,704	94,600
Auditors' remuneration		
for audit services	13,500	12,849
for non-audit services	-	-
Exchange losses	48,515	6,516

4 Interest receivable and similar income

	2010 £	2009 £
Bank deposit interest	24,676	109,549
Other	28,733	-
	<u>53,409</u>	<u>109,549</u>

5 Employees

	2010 £	2009 £
Wages and salaries	1,378,032	1,316,461
Social security costs	169,064	143,390
Pension contributions	130,809	125,958
	<u>1,677,905</u>	<u>1,585,809</u>

	2010 Number	2009 Number
<i>Average number of people (including directors) employed by the company during the year</i>		
Directors	5	5
Technical support	26	25
Administration	5	5
	<u>36</u>	<u>35</u>

Notes (continued)

6 Directors emoluments

	2010 £	2009 £
<i>Directors' emoluments</i>		
Remuneration	317,952	290,503
Company contributions to money purchase pension scheme	35,315	33,567
	<u>353,267</u>	<u>324,070</u>
	Number	Number
Number of directors accruing benefits through a money purchase pension scheme	4	4

The emoluments of the highest paid director were £155,824 (2009 £124,030)

7 Tax on profit on ordinary activities

Analysis of charge/(credit) in period	2010 £	2009 £
<i>UK corporation tax</i>		
Current tax on income for the period	165,299	101,271
Adjustments in respect of prior periods	(14,720)	(254,786)
Total current tax	<u>150,579</u>	<u>(153 515)</u>
<i>Deferred tax (see note 13)</i>		
Origination / reversal of timing differences	(2,857)	(7,462)
Adjustments in respect of prior periods	(2,333)	7 285
Tax on profit on ordinary activities	<u>145,389</u>	<u>(153 692)</u>

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge/(credit) for the period is lower (2009 lower) than the standard rate of corporation tax in the UK 28% (2009 28%) The differences are explained below

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	544,795	301,474
Current tax at 28% (2009 28%)	152,543	84,413
<i>Effects of</i>		
Expenses/income not deductible for tax purposes	9,792	9,397
Other timing differences		
Timing differences between capital allowances and depreciation	2,964	7,461
Adjustments in respect of prior periods	(14,720)	(254,786)
Total current charge/(credit)	150,579	(153,515)

Notes (continued)

8 Tangible fixed assets

	Freehold land & buildings £	Development & test equipment £	Furniture & equipment £	Total £
Cost				
At 30 September 2008	1,681,279	1,688,634	419,218	3,789,131
Additions	-	80,827	5,531	86,358
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2010	1,681,279	1,769,461	424,749	3,875,489
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 30 September 2008	386,050	1,600,206	396,254	2,382,510
Charge for the year	33,528	46,175	9,001	88,704
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2010	419,578	1,646,381	405,255	2,471,214
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2010	1,261,701	123,080	19,494	1,404,275
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	1,295,229	88,428	22,964	1,406,621
	<hr/>	<hr/>	<hr/>	<hr/>

Freehold land and buildings includes £340,000 (2009 £340,000) of non depreciable assets

9 Investments

	2010 £	2009 £
Shares in subsidiary undertaking at cost	564	564
Amount written off	(563)	(563)
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>

At 30 September 2010 the company owned the entire share capital of the following subsidiary undertaking

	Country of incorporation	Capital & reserves £	Principal activity
Reluctance Motors Limited	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

	2010 £	2009 £
Components and consumables	16,229	19,816

11 Debtors

	2010 £	2009 £
Trade debtors	467,457	116,471
Amounts owed by group undertakings	205,955	9,862,949
Other debtors	35,067	32,348
Prepayments and accrued income	47,728	4,439
Deferred tax	12,796	7,606
Corporation tax	-	317,852
	769,003	10,341,665

The deferred tax asset of £12,796 (2009 £7,606) is expected to be recovered after more than one year

12 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	165,893	316,956
Amounts owed to group undertakings	72,245	6,711
Other taxes and social security	36,548	33,884
Accruals and deferred income	233,419	101,172
Corporation Tax	92,381	-
	600,486	458,723

Notes (continued)

13 Deferred taxation

	2010 £	2009 £
Deferred taxation - Depreciation in excess of capital allowances	10,191	7,606
- Short term timing differences	2,605	-
	<u>12,796</u>	<u>7,606</u>
Movement in year		
At beginning of year	7,606	7,429
Credit to profit and loss account	5,190	177
	<u>12,796</u>	<u>7,606</u>
Deferred tax asset at end of year		
	<u>12,796</u>	<u>7,606</u>

14 Share Capital

	2010 £	2009 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000,000	1 000,000
	<u>1,000,000</u>	<u>1 000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	134,146	134 146
	<u>134,146</u>	<u>134 146</u>

15 Reserves

	Share premium £	Profit & loss account £
At beginning of year	547,118	10,629,916
Profit for the financial year	-	399,406
Dividend payment	-	(9,741,346)
	<u>547,118</u>	<u>1,287,976</u>
At end of year		
	<u>547,118</u>	<u>1,287,976</u>

Note *(continued)*

16 Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Profit for the financial year	399,406	455,166
Net increase in shareholders' funds	399,406	455,166
Opening shareholders' funds	11,311,180	10,856,014
Dividend payment	(9,741,346)	-
Closing shareholders' funds	1,969,240	11,311,180

17 Commitments

Capital commitments at 30 September 2010 were £nil (2009 £nil)

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent company and largest group in which the results of the company are consolidated is that headed by Emerson Electric Co, which is incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Emerson Holding Company Limited, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of the ultimate parent company are available to the public and may be obtained from

Investor Relations Department,
 Station 2197 Emerson,
 8000 W Florissant Ave,
 P O Box 4100,
 St Louis MO 63136-8506

On 1st October 2010 it was announced that Emerson Electric Company had sold its Motors and Controls business to Nidec Corporation, a company incorporated in Japan

Profit and loss account
for the year ended 30 September 2010

The following information does not form part of the audited statutory financial statements and is included solely for the information of management

	2010		2009	
	£	£	£	£
Income				
Consultancy fees and equipment sales	3,277,446		2,986,156	
Royalties	398,551		351,196	
Expenditure		3,675,997		3,337,352
Direct costs				
Salaries	1,023,553		958,637	
National Insurance	107,917		96,402	
Pension contributions	72,665		59,447	
Contract staff consultancy fees	6,645		23,112	
Computer services	85,650		76,873	
Materials consumed	324,242		343,000	
Depreciation	69,971		74,836	
Profit on disposal of fixed assets	-		(717)	
		(1,690,643)		(1,631,590)
Gross profit		1,985,354		1,705,762
Overheads				
Directors' remuneration				
Salaries	136,952		118,277	
National Insurance	34,011		21,047	
Pension contributions	24,997		33,612	
		195,960		172,936
Administrative salaries	223,362		239,536	
National Insurance	27,135		25,941	
Pension contributions	33,147		32,899	
Share based payments	-		-	
Audit and accountancy	20,334		11,698	
Legal and Professional	127,977		260,405	
Insurance	40,318		20,347	
Motor Expenses	3,465		5,403	
Travel and Subsistence	59,715		80,900	
Entertaining	1,450		452	
Postage, Stationery etc	22,763		29,781	
Sundry	582,073		485,670	
Depreciation	18,733		19,764	
Rent, rates and cleaning	69,221		45,929	
Electricity and power	63,640		69,701	
Overheads carried forward	1,293,333	195,960	1,328,426	172,936

Profit and loss account
for the year ended 30 September 2010 (continued)

	2010 £	£	2009 £	£
Overheads brought forward	1,293,333	195,960	1,328,426	172,936
Exhibition and marketing	4,675		12,475	
		1,493,968		1,513,837
Interest receivable		(53,409)		(109,549)
		1,440,559		1,404,288
Profit on ordinary activities before taxation		544,795		301,474

Cash flow statement
for the year ended 30 September 2010

The following information does not form part of the audited statutory financial statements and is included solely for the information of management

	2010 £000	2009 £000
Net cash inflow / (outflow) from operating activities	10,298	(247)
Return on investments and servicing of finance		
Interest received	53	110
Dividends paid	(9,741)	
Taxation		
UK corporation tax	(146)	154
Capital Expenditure		
Payments to acquire tangible fixed assets and investments	(86)	(33)
Acquisitions and disposals		
Proceeds from disposal of fixed assets	-	6
Net cash inflow/(outflow)	378	(10)

Cash flow statement
for the year ended 30 September 2010

	2010	2009
	£000	£000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	491	192
Depreciation	89	95
Share based payments	-	-
Decrease in stocks	3	12
Decrease/(increase) in debtors	9,573	(483)
Increase/(decrease) in creditors	142	(63)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	10,298	(247)
	<hr/>	<hr/>