

Switched Reluctance Drives Limited

Directors' report and financial statements

30 September 1994

Registered number 1517273



Switched Reluctance Drives Limited

Directors' report and financial statements

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Switched Reluctance Drives Limited

Company information

Directors

PJ Lawrenson
WJ Schnyder
RJ Blake
GBW Haines
DO Gifford
GW Buckley
OH Delage

Secretary

G Lidster

Registered Office

Springfield House
Hyde Terrace
Leeds
LS2 9LN

Company Number

1517273

Auditors

KPMG Peat Marwick
1 The Embankment
Neville Street
Leeds
LS1 4DW

Switched Reluctance Drives Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 1994.

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 research and development of new technology and associated engineering for client organisations. No manufacturing has been undertaken on the company's own account.

Business review

The growing awareness of the company's achievements was not directly reflected in proportionate increases in sales during the early months of this financial year, but a large multi-national organisation recognised the important opportunities for world-wide exploitation of SR technology.

The company's sales and profitability were significantly affected during the year by pre- and post-acquisition requirements associated with the purchase of the whole of the issued share capital of the company by Emerson Holding Company Limited, a subsidiary of Emerson Electric Company Inc. of St Louis, Missouri, USA, on 22 July 1994.

The directors are proud that the company is now a wholly owned subsidiary of Emerson. They are confident that the interests of clients will continue to be well served by this association, whilst at the same time ensuring maximum benefit to Emerson and exploitation of the full potential of SR technology.

Proposed dividends and transfer from reserves

The dividends provided in these financial statements concern the fixed cumulative preference dividend on the 'A' ordinary shares amounting to £19,572 and an interim dividend on the entire share capital of the company, authorised by the directors on 18 July 1994, and amounting to £449,389.

The directors do not recommend any further dividends in respect of the ordinary shares.

After deducting dividends of £468,961, the transfer from reserves is £687,760.

Fixed assets

Details of the movements in tangible fixed assets are set out in note 9 to the financial statements.

Switched Reluctance Drives Limited

Directors' report *(continued)*

Directors

The directors at the date of this report are set out on page 1. Those directors who were appointed or resigned since 30 September 1993 are as follows:

JM Stephenson	(resigned 25 July 1994)
DO Gifford	(appointed 25 July 1994)
WJ Schnyder	(appointed 25 July 1994)
GW Buckley	(appointed 25 July 1994)
OH Delage	(appointed 25 July 1994)

No director has an interest in the share capital of the company.

RJ Blake and GBW Haines exercised their options to acquire ordinary shares in the company during the year. These options were for 1,650 and 110 ordinary shares respectively which were sold when the company was purchased by Emerson Holding Company Limited.

Auditors

During the year Robson Rhodes resigned and KPMG Peat Marwick were appointed as auditors of the company.

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Peter John Lawrenson
Chairman

16 December 1994

Switched Reluctance Drives Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors' report to the members of Switched Reluctance Drives Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

20 January 1995

Switched Reluctance Drives Limited

Profit and loss account

for the year ended 30 September 1994

	Note	1994 £	1993 £
Turnover	1	1,221,678	1,598,363
Cost of sales		(718,735)	(631,545)
Gross profit		502,943	966,818
Administrative expenses		(828,418)	(716,448)
Operating (loss)/profit	2	(325,475)	250,370
Other interest receivable and similar income	3	20,695	33,799
Amounts written off investments	10	(563)	-
Interest payable and similar charges	4	(778)	(1,683)
(Loss)/profit on ordinary activities before taxation		(306,121)	282,486
Tax on (loss)/profit on ordinary activities	7	87,322	(75,225)
(Loss)/profit on ordinary activities after taxation		(218,799)	207,261
Dividends on equity and non-equity shares	8	(468,961)	(52,349)
Retained (loss)/profit for the year transferred to reserves	16	(687,760)	154,912

There are no gains or losses other than the loss stated above.

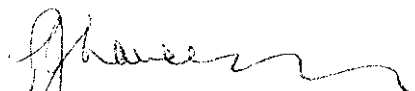
A statement of movements on reserves is shown in note 16.

Switched Reluctance Drives Limited

Balance sheet at 30 September 1994

	Note	1994 £	1993 £
Fixed assets			
Tangible assets	9	110,881	152,629
Investments	10	1	564
		<u>110,882</u>	<u>153,193</u>
Current assets			
Stocks	11	34,317	45,912
Debtors	12	826,166	892,573
Cash at bank and in hand		145,699	550,179
		<u>1,006,182</u>	<u>1,488,664</u>
Creditors: amounts falling due within one year	13	(577,514)	(415,389)
Net current assets		<u>428,668</u>	<u>1,073,275</u>
Total assets less current liabilities		<u>539,550</u>	<u>1,226,468</u>
Provisions for liabilities and charges	14	(24,444)	(23,602)
Net assets		<u>515,106</u>	<u>1,202,866</u>
Capital and reserves			
Called up share capital	15	134,146	134,146
Share premium account		547,118	547,118
Profit and loss account	16	(166,158)	521,602
Shareholders' funds	17	<u>515,106</u>	<u>1,202,866</u>
Equity		<u>515,106</u>	<u>1,178,720</u>
Non-equity		-	24,146
		<u>515,106</u>	<u>1,202,866</u>

These financial statements were approved by the board of directors on 16 December 1994 and were signed on its behalf by:


Peter John Lawrenson
Director

Switched Reluctance Drives Limited

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 to prepare a cash flow statement as it is a wholly owned subsidiary of Emerson Holding Company Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company 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:

Development and test equipment	-	20 % per annum
Motor vehicles	-	25 % per annum
Furniture and equipment	-	20 % per annum

Assets purchased in the first half of the year receive 6 months depreciation. Assets purchased in the second half of the year are first depreciated in the succeeding year.

Operating leases

The rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

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.

Royalties

Full provision is made for royalties receivable and payable by the company under the terms of various licensing agreements.

Stocks

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

Switched Reluctance Drives Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

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

2 Operating (loss)/profit

	1994 £	1993 £
Operating (loss)/profit is arrived at after charging		
Depreciation of tangible fixed assets	66,309	80,801
Operating lease payments		
equipment	6,119	6,119
premises	73,195	68,342
Auditors' remuneration		
for audit services	5,250	3,600
for non-audit services	3,750	4,000
	<hr/>	<hr/>

3 Other interest receivable and similar income

	1994 £	1993 £
Bank deposit interest	20,695	33,799
	<hr/>	<hr/>

4 Interest payable and similar charges

	1994 £	1993 £
Hire purchase interest	778	1,683
	<hr/>	<hr/>

Switched Reluctance Drives Limited

Notes (continued)

5 Employees

	Number	Number
Average number of people (including directors) employed by the company during the year:		
Directors	6	5
Technical research	18	18
Administration	5	5
	<u>29</u>	<u>28</u>
Costs in respect of these employees:	£	£
Wages and salaries	820,788	741,610
Social security costs	83,713	76,276
Pension costs	2,000	3,275
	<u>906,501</u>	<u>821,161</u>

6 Directors

	1994 £	1993 £
Directors emoluments:		
Management remuneration	285,177	270,580
Pension contributions	2,000	2,695
	<u>287,177</u>	<u>273,275</u>

The emoluments of the Chairman, who is also the highest paid director, were £104,697 (1993:£143,894), excluding pension contributions of £Nil (1993:£Nil).

Number of directors whose emoluments excluding pension contributions fell within the bands stated:	1994	1993
£0 - £5,000	4	1
£10,001 - £15,000	1	1
£50,001 - £55,000	-	1
£55,001 - £60,000	-	1
£80,001 - £85,000	2	-
£100,001 - £105,000	1	-
£140,001 - £145,000	-	1

Switched Reluctance Drives Limited

Notes (continued)

7 Tax on profit on ordinary activities

	1994 £	1993 £
Credit/(charge) for taxation based on the (loss)/profit for the year:		
Corporation tax at 28.5% (1993: 27.1%)	77,163	(86,044)
Deferred taxation at 33%	9,130	11,305
	<hr/>	<hr/>
	86,293	(74,739)
Adjustment relating to prior years	1,029	(486)
	<hr/>	<hr/>
	87,322	(75,225)
	<hr/>	<hr/>

8 Dividend

	1994 £	1993 £
On equity shares:		
Ordinary dividends	449,389	17,050
On non equity shares:		
Fixed cumulative preference dividend	19,572	24,000
Participating dividend	-	11,299
	<hr/>	<hr/>
	468,961	52,349
	<hr/>	<hr/>

Switched Reluctance Drives Limited

Notes (continued)

9 Tangible fixed assets

	Development and test equipment £	Motor vehicles £	Furniture and equipment £	Total £
Cost				
At 1 October 1993	524,986	25,380	109,897	660,263
Additions	23,501	-	6,047	29,548
Disposals	-	(25,380)	(550)	(25,930)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1994	548,487	-	115,394	663,881
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 October 1993	403,000	15,634	89,000	507,634
Charge for the year	50,000	4,759	11,550	66,309
Disposals	-	(20,393)	(550)	(20,943)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1994	453,000	-	100,000	553,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 1994	95,487	-	15,394	110,881
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1993	121,986	9,746	20,897	152,629
	<hr/>	<hr/>	<hr/>	<hr/>

Additions to development and test equipment includes £8,027 (1993: £11,989) in respect of equipment produced by the company's own engineers. This is stated on the basis of labour and material costs plus attributable overheads.

The net book value of tangible fixed assets includes £Nil (1993: £9,746) in respect of assets held under hire purchase contracts.

The depreciation charged for the year in respect of assets held under hire purchase contracts was £4,759 (1993: £6,346).

The amount outstanding on these hire purchase contracts is £Nil (1993: £3,189).

Switched Reluctance Drives Limited

Notes (continued)

10 Investments

	1994 £	1993 £
Shares in subsidiary undertaking at cost	564	564
Amount written off	(563)	-
	<u>1</u>	<u>564</u>

At 30 September 1994 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

The subsidiary has not been consolidated into the financial statements of the parent undertaking on the grounds that it is not material.

11 Stocks

	1994 £	1993 £
Raw materials and consumables	<u>34,317</u>	<u>45,912</u>

12 Debtors

	1994 £	1993 £
Trade debtors	532,354	818,205
Amounts owed by parent and fellow subsidiary undertakings	76,820	-
Other debtors	183,297	50,017
Prepayments and accrued income	33,695	24,351
	<u>826,166</u>	<u>892,573</u>

Switched Reluctance Drives Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1994 £	1993 £
Bank loans and overdrafts	98,822	-
Trade creditors	57,867	32,573
Obligations under finance leases and hire purchase contracts	-	3,139
Amounts owed to parent and fellow subsidiary undertakings	175,000	-
Corporation tax	-	73,693
Other taxes and social security	28,741	95,298
Advanced corporation tax	115,740	13,456
Accruals and deferred income	101,344	162,881
Dividend proposed	-	34,349
	<u>577,514</u>	<u>415,389</u>

14 Provisions for liabilities and charges

	1994 £	1993 £
Deferred taxation	<u>24,444</u>	<u>23,602</u>
Movement in year:		
At 1 October 1993	33,574	44,879
Transfer from profit and loss account	(9,130)	(11,305)
	<u>24,444</u>	<u>33,574</u>
At 30 September 1994	24,444	33,574
Deduct: Advance corporation tax	-	(9,972)
	<u>24,444</u>	<u>23,602</u>
The provision comprises:		
Accelerated capital allowances	22,199	32,816
Short term timing differences	2,245	758
	<u>24,444</u>	<u>33,574</u>

Switched Reluctance Drives Limited

Notes (continued)

15 Share capital

	1994 £	1993 £
Authorised		
Equity shares		
Ordinary shares of £1 each	1,000,000	975,854
Non equity shares		
'A' ordinary shares of £1 each	-	24,146
	<u>1,000,000</u>	<u>1,000,000</u>
 Allotted, called up and fully paid		
Equity shares		
Ordinary shares of £1 each	134,146	110,000
Non equity shares		
'A' ordinary shares of £1 each	-	24,146
	<u>134,146</u>	<u>134,146</u>

The 'A' ordinary shares were converted to ordinary shares during the year.

16 Profit and loss account

	1994 £	1993 £
At 1 October 1993	521,602	366,690
(Absorbed loss)/retained profit for the year	<u>(687,760)</u>	<u>154,912</u>
At 30 September 1994	<u>(166,158)</u>	<u>521,602</u>

Switched Reluctance Drives Limited

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
(Loss)/profit for the financial year	(218,799)	207,261
Dividends	(468,961)	(52,349)
Net (reduction in)/addition to shareholders' funds	(687,760)	154,912
Opening shareholders' funds	1,202,866	1,047,954
Closing shareholders' funds	515,106	1,202,866

18 Commitments

The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:

	1994 £	1993 £
(i) Land and buildings		
Between one and five years	73,195	73,195
(ii) Vehicles and office equipment		
Within one year	1,050	3,600
Between one and five years	-	2,519
	1,050	6,119

There were no capital commitments at 30 September 1994 (1993: £Nil)

19 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 Company Inc. incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Emerson Holding Company Limited 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:

Boatmen's Trust Company
Corporate Trust Division
510 Locust Street
St Louis
Missouri 63101