Asco Joucomatic Limited

Directors' report and financial statements

Registered number 2861557

30 September 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

Principal activities
The principal activity of the company is the manufacture and market distribution of solenoid valves, pressure and temperature switches, pneumatic control equipment and associated panels.

Business review
The results for the year are set out on page 4.

The company has suffered a small decrease in turnover. The cost savings as a result of the closure of the Wolverhampton production location (see note 14) together with a reduction in the pension costs for the Emerson Electric UK Pension Plan have had a favourable impact on the years profit.

Research and development
The company participates in an extensive group product development programme.

Dividends
The directors do not recommend the payment of a dividend *(2004:£1.29* per ordinary share*)*.

Market value of land and buildings
The directors are of the opinion that the market value of the freehold property exceeds the carrying value disclosed in the accounts. This has not been quantified.

Directors and directors' interests
The directors who served during the year were:

JP Yaouanc	(Chairman)	(Resigned 27 September 2005)
J-C Serkumian		(Appointed Chairman 27 September 2005)
JP Marchant		(Appointed 27 September 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company or any other group company.

According to the register of directors' interests, the rights to subscribe for shares in or debentures of the company or any other group company have granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Employees
The company maintains its policy of training and career development giving due consideration to all employees, including those disabled, for their advancement and promotion.

The company also recognises the importance of good communications and endeavours, at meetings convened from time to time, to keep its employees informed of the company's progress and about other matters which concern them.

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J-C Serkumian
Director

Pit Hey Place
West Pimbo
Skelmersdale
Lancashire
WN8 9PG

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.

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

Report of the independent auditors to the members of Asco Joucomatic Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

9 March 2006.

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 30 September 2005

	Note	2005 £000	2004 £000
Turnover	*2*	**15,633**	15,761
Cost of sales		**(11,081)**	(11,735)
Gross profit		**4,552**	4,026
Distribution costs		**(1,883)**	(2,157)
Administrative expenses		**(1,599)**	(1,644)
Operating profit		**1,070**	225
Other interest receivable and similar income	*6*	**952**	724
Profit on ordinary activities before taxation	*3*	**2,022**	949
Tax on profit on ordinary activities	*7*		
- normal		**(584)**	(297)
- exceptional credit		**-**	592
		(584)	295
Profit on ordinary activities after taxation		**1,438**	1,244
Dividends	*8*	**-**	(1,001)
Retained profit for the financial year	*16*	**1,438**	243

In both the current and immediately preceding accounting period the company had no recognised gains and losses other than the result for the period. A statement of total recognised gains and losses is therefore not required.

All operations are continuing.

Balance sheet
at 30 September 2005

	Note	£000	2005 £000	£000	2004 £000
Fixed assets					
Tangible assets	*9*		**1,329**		1,478
Investments	*10*		**894**		894
			2,223		2,372
Current assets					
Stocks	*11*	**1,874**		2,571	
Debtors	*12*	**20,329**		18,126	
Cash at bank and in hand		**4**		3	
		22,207		20,700	
Creditors: amounts falling due within one year	*13*	**(3,743)**		(3,633)	
Net current assets			**18,464**		17,067
Total assets less current liabilities			**20,687**		19,439
Provisions for liabilities and charges	*14*		**(116)**		(306)
Net assets			**20,571**		19,133
Capital and reserves					
Called up share capital	*15*		**776**		776
Share premium account	*16*		**15,274**		15,274
Profit and loss account	*16*		**4,521**		3,083
Equity shareholders' funds			**20,571**		19,133

These financial statements were approved by the board of directors on 9/3/06 and were signed on its behalf by:

J-C Serkamian
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2005

	2005	2004
	£000	£000
Profit for the financial year	**1,438**	1,244
Dividends	**-**	(1,001)
Net increase in shareholders' funds	**1,438**	243
Opening shareholders' funds	**19,133**	18,890
Closing shareholders' funds	**20,571**	19,133

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 has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a majority owned subsidiary undertaking of Emerson Holding Company Limited, and is included in the consolidated accounts of that company. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the group headed by Emerson Electric Co, controlling 100% of the voting rights, includes a cash flow statement in its own published consolidated financial statements.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8, and has therefore not disclosed transactions or balances with entities which are 90% or more controlled by the group.

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 land	-	Nil
Freehold buildings	-	50 years
Plant and machinery	-	12 years
Fixtures, fittings, tools and equipment	-	4 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the 20th of each month. 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.

Operating leases

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

Post-retirement benefits

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

The company is a member of a group operated defined benefit pension scheme based on final pensionable pay, the assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Further details of this scheme are disclosed in note 19.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Notes *(continued)*

1 Accounting Policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax in 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.

Turnover

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

2 Analysis of turnover

The directors are of the opinion that there is only one class of business. The geographical analysis (by destination) is as follows:

	2005	2004
	£000	£000
By geographical markets		
United Kingdom	**8,864**	8,417
Europe	**4,563**	4,856
USA	**523**	817
Australia and Far East	**1,442**	1,450
Africa	**241**	221
	15,633	15,761

3 Profit on ordinary activities before taxation

	2005	2004
Profit on ordinary activities before taxation is stated after charging:	**£000**	£000
Auditors' remuneration		
Audit	**37**	38
Other services	**1**	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	**245**	275
Hire of plant and machinery - operating leases	**226**	251
Research and development	**34**	30

	2005	2005
Operating profit includes the following exceptional item:	**£000**	£000
Exceptional item		
Reorganisation costs (refer to note 14)	**-**	306

Notes *(continued)*

4 Remuneration of directors

	2005 £000	2004 £000
Emoluments	**166**	169
Pension contributions to money purchase scheme	**-**	1
	166	170

	2005 Number	2005 Number
Number of directors who are members of a defined benefit pension scheme	**-**	-
Number of directors who are members of a money purchase pension scheme	**-**	-

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Production	**125**	129
Distribution and marketing	**39**	46
Administration	**12**	14
Services	**1**	2
Engineering	**6**	7
Other (including R&D)	**18**	15
	201	213

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	**3,534**	3,714
Social security costs	**302**	316
Other pension costs	**121**	459
	3,957	4,489

6 Other interest receivable and similar income

	2005 £000	2004 £000
Bank interest receivable and similar income	**952**	724

Notes *(continued)*

7 Taxation on profit on ordinary activities

	2005	2004
	£000	£000
Current tax		
UK corporation at 30%	**485**	335
Adjustment in respect of prior periods	**(136)**	(592)
Total current tax	**349**	(257)
Deferred taxation		
Origination and reversal of timing differences	**130**	(38)
Adjustment in respect of prior periods	**105**	-
	584	(295)

	2005	2005
	£	£
Normal tax charge		
UK Corporation tax at 30%	**349**	335
Deferred taxation	**235**	(38)
	584	297

Factors affecting the tax charge for the current period

The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,022**	949
Profit on ordinary activities multiplied by the standard rate of corporate tax in the UK of 30%	**607**	285
Effects of:		
Expenses not deductible for tax purposes	**8**	10
Other timing differences	**(133)**	(43)
Capital allowances in excess of depreciation	**3**	83
	485	335
Exceptional item		
Adjustment in respect of prior periods (see below)	**(136)**	(592)
Total current tax (see above)	**349**	(257)

The adjustment to tax in respect of prior periods of £136,000 *(2004:£592,000)* includes £nil *(2004:£571,000)* received for group relief in 2003.

Notes *(continued)*

8 Dividends

	2005	2004
	£	£
Equity shares		
Interim dividend paid	-	1,001

9 Tangible fixed assets

	Freehold land and buildings £000	**Plant and machinery £000**	**Fixtures, fittings, tools and equipment £000**	**Total £000**
Cost				
At beginning of year	817	2,947	2,846	6,610
Additions	12	139	47	198
Disposals	-	(720)	(167)	(887)
At end of year	**829**	**2,366**	**2,726**	**5,921**
Depreciation				
At beginning of year	179	2,301	2,652	5,132
Charge for year	16	144	85	245
Disposals	-	(618)	(167)	(785)
At end of year	**195**	**1,827**	**2,570**	**4,592**
Net book value				
At 30 September 2005	**634**	**539**	**156**	**1,329**
At 30 September 2004	638	646	194	1,478

10 Fixed asset investments

	Other investments £000	**Shares in group undertakings £000**	**Total £000**
Cost			
At 1 October 2004 and at 30 September 2005	**48**	**846**	**894**

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	**Principal activity**	**Class and percentage of shares**
Subsidiary undertakings			
Joucomatic Controls Limited	England and Wales	Dormant	100% Ordinary shares of £1 each
Asco Power Technologies Limited	England and Wales	Manufacture and supply of automatic transfer switches	100% Ordinary shares of £1 each
Other investments			
Irish Pneumatic Services Limited	Eire	Manufacture and supply of pneumatic equipment	49% Ordinary shares of IR£1 each

Notes *(continued)*

11 Stocks

	2005 £000	2004 £000
Raw materials and consumables	**1,208**	1,587
Work in progress	**64**	357
Finished goods and goods for resale	**602**	627
	1,874	2,571

12 Debtors

	2005 £000	2004 £000
Trade debtors	**1,843**	1,781
Amounts owed by group undertakings	**17,642**	15,500
Other debtors	**34**	112
Prepayments and accrued income	**810**	614
Deferred tax	**-**	119
	20,329	18,126

13 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	**636**	666
Amounts owed to group undertakings	**2,188**	2,210
Taxation and social security	**595**	383
Accruals	**324**	374
	3,743	3,633

Taxation and social security is analysed as follows:

	2005 £000	2004 £000
Corporation tax	**320**	153
Other taxation and social security	**275**	230
	595	383

Notes *(continued)*

14 Provisions for liabilities and charges

	Deferred taxation	Reorganisation Provision	Total
	£000	**£000**	**£000**
At 1 October 2004	(119)	306	187
Charged during the year to the profit and loss account	235	-	235
Utilised during the year	-	(306)	(306)
At 30 September 2005	**116**	**-**	**116**

At 30 September 2004 the company was committed to a reorganisation programme which included the closure of it's Wolverhampton site and restructuring of the Skelmersdale site, a provision had been made to cover the costs associated with this programme. During 2005 these costs have crystalised and the provision has been released.

The amounts for deferred taxation are set out below:

	2005	2004
	£000	*£000*
Difference between accumulated depreciation and capital allowances	**(60)**	(51)
Other timing differences	**176**	(68)
	116	(119)

15 Called up share capital

	2005	2004
	£000	£000
Authorised		
Equity: Ordinary shares of £1 each	**800**	800
Allotted		
Equity: Ordinary shares of £1 each	**776**	776
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	**776**	776

Notes *(continued)*

16 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	15,274	3,083
Retained profit for the year	-	1,438
At end of year	**15,274**	**4,521**

17 Contingent liabilities

As at 30 September 2005 the company had entered into a guarantee to HM Customs and Excise in respect of duty deferment amounting to £110,000 *(2004:£110,000).* Death in Service liability not covered by Insurance provider.

18 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2005 £000	2004 £000
Contracted	2	44
Authorised but not contracted	47	116
	49	160

(b) Annual commitments under non-cancellable operating leases are as follows:

	2005 Other £000	2004 Other £000
Operating leases which expire:		
Within one year	**37**	21
In the second to fifth years inclusive	**355**	483
	392	504

Notes *(continued)*

19 Pension scheme

The company operates two defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the company to the funds and amounted to £63,445 *(2004: £59,000).*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

On 5 November 1998 the Joucomatic Group Retirement Benefits Scheme was transferred into The Emerson Electric UK Pension Plan ("The Plan").

The Emerson Electric UK Pension Plan is a funded hybrid scheme given that it has both defined contribution and defined benefit elements. Contributions to the plan are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Contributions to the plan are determined by a qualified actuary on the basis of triennial valuations using the projected unit valuation method. The most recent valuation was carried out on 1 April 2005. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of Emerson Holding Company Limited.

The pension cost figures used in these accounts comply with the current pension cost accounting standard, SSAP 24. Under the new pension standard, Financial Reporting Standard 17 ("FRS 17") "Retirement Benefits" the following transitional disclosures are required:

Asco Joucomatic Limited participates in a defined benefit scheme. The Emerson group, as a whole, operates a hybrid (ie part defined benefit and part defined contribution) plan in the UK. The Asco Joucomatic section is a defined benefit section of the Plan and cash contributions of £269,000 *(2004:£870,000)* were made by the company in respect of this. At the year end prepaid contributions were £625,000 *(2004: (£414,000)).* Asco Joucomatic Limited is unable to identify its share of the plan's underlying assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 "Retirement benefits" and as such the scheme will be accounted for by the company when the accounting standard is fully adopted, as if the scheme was a defined contribution scheme.

A full actuarial valuation of the Plan was carried out at 1 April 2005 and updated for FRS 17 purposes to 30 September 2005 and 30 September 2004 by a qualified independent actuary.

An analysis of the assets and liabilities of the Plan, as at 30 September 2005 is as follows:

	2005	2004
	£000	£000
Fair value of Plan assets	**189,842**	149,670
Present value of Plan liabilities	**(204,483)**	(197,893)
Plan deficit	**(14,641)**	(48,223)

Notes *(continued)*

20 Related party activities

During the year Asco Joucomatic Limited made sales of £251,065 *(2004:£226,854)* to Irish Pneumatic Service Limited, the company in which it has a 49% *(2004:49%)* shareholding (refer note 10). At 30 September 2005: £89,098 *(2004:£48,471)* is due from Irish Pneumatic Service Limited.

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

The company is a subsidiary undertaking of Emerson Electric Co incorporated in USA.

The company's ultimate parent company and controlling party is Emerson Electric Co, which is incorporated in the USA and heads up the largest group in which the results of the company are consolidated. The smallest group in which they are consolidated is that headed by Emerson Holding Company Limited incorporated in Great Britain. The consolidated accounts of these groups are available to the public. Accounts of Emerson Electric Co may be obtained from 8000 W Florissant Avenue, PO Box 4100, St Louis, Missouri, MO63136, USA. Accounts of Emerson Holding Company Limited may be obtained from 14 David Mews, London, W1U 6EQ.