

Asco Joucomatic Limited

**Directors' report and financial
statements**

Registered number 2861557

30 September 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2001.

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 5.

The company is reorganising its Skelmersdale and Wolverhampton sites with a view to improved efficiencies and customer service. The costs of this reorganisation are as disclosed in note 3.

Research and development

The company intends to pursue an extensive product development programme in support of the manufacturing activities and to respond to changing market requirements.

Dividends

The directors do not recommend the payment of a dividend (2000: £Nil).

Directors and directors' interests

The directors who served during the year were:

JP Yaouanc (Chairman)
CMF Haigh

The director retiring by rotation is JP Yaouanc who being eligible offers himself for re-election.

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

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.

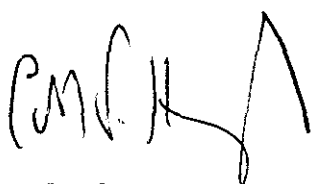
The company also recognises the importance of good communications and endeavours, at meetings convened from time to time, to keep its employees informed of the company's progress and about other matters which concern them.

Directors' report

Auditors

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, a resolution is to be proposed at the general meeting for the appointment of KPMG LLP as auditors of the company.

By order of the board

A handwritten signature in black ink, appearing to read 'CMF Haigh', with a stylized flourish at the end.

CMF Haigh
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 group 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.



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Independent auditors' report to the members of Asco Joucomatic Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 30 September 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover	2	17,372	17,515
Cost of sales		(12,505)	(12,256)
Gross profit		4,867	5,259
Distribution costs		(2,154)	(2,006)
Administrative expenses		(1,534)	(1,518)
Operating profit		1,179	1,735
Other interest receivable and similar income	6	794	797
Profit on ordinary activities before taxation	2-6	1,973	2,532
Tax on profit on ordinary activities	7	(683)	(771)
Profit for the financial year	15	1,290	1,761

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

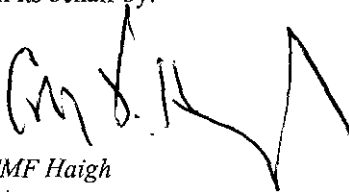
Balance sheet
at 30 September 2001

	Note	£000	2001 £000	£000	2000 £000
Fixed assets					
Tangible assets	8		1,688		1,845
Investments	9		894		894
			<hr/>		<hr/>
			2,582		2,739
Current assets					
Stocks	10	2,596		2,831	
Debtors	11	12,699		13,367	
Cash at bank and in hand		11,688		9,853	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	12	26,983 (4,525)		26,051 (5,326)	
		<hr/>		<hr/>	
Net current assets			22,458		20,725
			<hr/>		<hr/>
Total assets less current liabilities			25,040		23,464
Provisions for liabilities and charges	13		(373)		(87)
			<hr/>		<hr/>
Net assets			24,667		23,377
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		776		776
Share premium account	15		15,274		15,274
Profit and loss account	15		8,617		7,327
			<hr/>		<hr/>
Equity shareholders' funds			24,667		23,377
			<hr/>		<hr/>

These financial statements were approved by the board of directors on
 on its behalf by:

18/7/02

and were signed


 CMF Haigh
 Director

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2001

	2001 £000	2000 £000
Profit for the financial year	1,386	1,761
Net addition to shareholders' funds	1,386	1,761
Opening shareholders' funds	23,377	21,616
Closing shareholders' funds	24,763	23,377

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 group'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, modified to include the revaluation of certain tangible fixed assets.

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 wholly 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 parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Emerson Electric Co, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of 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
Leasehold land and building	-	Lower of life of lease and 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 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.

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 group operates three 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 group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. 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 group.

Notes (continued)

Accounting Policies (continued)

Research and development expenditure

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

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. 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.

Notes (continued)

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:

	2001 £000	2000 £000
<i>By geographical markets</i>		
United Kingdom	10,032	10,252
Europe	5,232	5,097
USA	654	962
Middle East	30	23
Australia and Far East	1,189	1,034
Africa	235	147
	<u>17,372</u>	<u>17,515</u>

3 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit	18	15
Other services	14	10
Depreciation and other amounts written off tangible fixed assets:		
Owned	352	367
Hire of plant and machinery - operating leases	210	192
Research and development	7	8
	<u> </u>	<u> </u>

Exceptional Item

Operating profit includes the following exceptional item:

	2001 £000	2000 £000
Costs of reorganisation	<u>350</u>	<u>-</u>

Costs are in relation to the reorganisation of the Skelmersdale and Wolverhampton sites. See business review.

Remuneration of directors

	2001 £000	2000 £000
As director	120	122
Pension contributions to money purchase scheme	10	4
	<u>130</u>	<u>126</u>

Retirement benefits are accruing to 1 director (2000: 1).

Notes (continued)

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	
	2001	2000
Production	144	147
Distribution and marketing	46	47
Administration	20	20
Services	3	3
Engineering	9	9
Other (including R&D)	18	20
	<u>240</u>	<u>246</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Wages and salaries	3,992	3,996
Social security costs	310	318
Other pension costs	138	85
	<u>4,440</u>	<u>4,399</u>

6 Other interest receivable and similar income

	2001	2000
	£000	£000
Interest receivable and similar income	<u>794</u>	<u>797</u>

Notes (continued)

7 Taxation

	2001 £000	1999 £000
UK corporation tax at 30%	684	765
Deferred taxation	(44)	6
Prior year adjustment	43	-
	<u>683</u>	<u>771</u>

8 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	539	2,890	2,737	6,166
Additions	-	80	123	203
Disposals	-	(66)	(20)	(86)
Transfers	1	43	(44)	-
At end of year	<u>540</u>	<u>2,947</u>	<u>2,796</u>	<u>6,283</u>
Depreciation				
At beginning of year	132	1,927	2,262	4,321
Charge for year	11	195	146	352
On disposals	-	(58)	(20)	(78)
Transfers	(4)	(19)	23	-
At end of year	<u>139</u>	<u>2,045</u>	<u>2,411</u>	<u>4,595</u>
Net book value				
At 30 September 2001	<u>401</u>	<u>902</u>	<u>385</u>	<u>1,688</u>
At 30 September 2000	<u>412</u>	<u>1,025</u>	<u>408</u>	<u>1,845</u>

The gross book value of land and buildings includes £438,000 (2000: £438,000) of depreciable assets.

Notes (continued)

9 Fixed asset investments

	Shares in group undertakings	Other investments other than loans	Total
	£000	£000	£000
<i>Cost</i>			
At 1 October 2000 and at 30 September 2001	846	48	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
<i>Subsidiary undertakings</i>			
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
<i>Other investments</i>			
Irish Pneumatic Services Limited	Eire	Manufacture and supply of pneumatic equipment	49% Ordinary shares of IR£1 each

The investment in Asco Power Technologies Limited was acquired on 1 October 1999. Upon acquisition only 2 ordinary shares were issued with the balance of the consideration held awaiting the issue of further shares. On 20 September 2001 199,998 further shares were issued at a premium of £332,532.

The investment in Irish Pneumatic Services Limited is not held for the long term and significant influence is not exercised, therefore it has not been accounted for as an associated company.

10 Stocks

	2001 £000	2000 £000
Raw materials and consumables	1,799	2,021
Work in progress	87	174
Finished goods and goods for resale	710	636
	<u>2,596</u>	<u>2,831</u>

Notes (continued)

11 Debtors

	2001 £000	2000 £000
Trade debtors	2,064	2,856
Amounts owed by group undertakings	10,261	10,319
Other debtors	212	33
Prepayments and accrued income	162	159
	<u>12,699</u>	<u>13,367</u>

Amounts owed by group undertakings includes £214,000 (2000: £214,000) in respect of called up share capital not paid.

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	742	1,204
Amounts owed to group undertakings	2,819	2,894
Taxation and social security	655	807
Other creditors	6	2
Accruals	303	419
	<u>4,525</u>	<u>5,326</u>

Taxation and social security is analysed as follows:

	30 September 2001 £000	30 September 2000 £000
Corporation tax	274	540
Other taxation and social security	284	267
	<u>558</u>	<u>807</u>

Notes (continued)

13 Provisions for liabilities and charges

	Reorganisation Provision £000	Deferred Taxation £000	Total £000
At beginning of year	-	87	87
Charged/(released) during the year	330	(44)	286
At end of year	330	43	373

At 30 September 2001 the company was committed to a reorganisation programme, and a provision was made to cover the costs associated with this programme.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	77	-	94	-
Other timing differences	(34)	19	(7)	19
	43	19	87	19

Unprovided deferred taxation relates to the deferred capital gain arising out of the revaluation of freehold premises at Wolverhampton. This has not been provided because there are no proposals to dispose of the property in the foreseeable future.

14 Called up share capital

	2001 £000	2000 £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	562	562

Notes (continued)

15 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	15,274	7,327
Retained profit for the year	-	1,290
At end of year	15,274	8,617

16 Contingent liabilities

As at 30 September 2001 the company had entered into the following guarantees and bonds:

- (a) An unlimited cross guarantee given to Emerson Composite Accounting System members in respect of amounts owing to Barclays Bank plc.
- (b) Guarantee to HM Customs and Excise in respect of duty deferment amounting to £110,000.

17 Commitments

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

	2001 £000	2000 £000
Contracted	9	55

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

	2001 Other £000	2000 Other £000
Operating leases which expire:		
Within one year	7	431
In the second to fifth years inclusive	519	261
	526	602

Notes (continued)

18 Pension scheme

The group operates three defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the group to the funds and amounted to £47,968 (2000: £49,912).

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 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 1999; this showed that the market value of the plan's assets was £104,477,000. At this date, the actuarial value of these assets represented 146% of the benefits that had accrued to members after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries. It was assumed that investment returns would be 7% per annum and salary increases would average 4% per annum.

The annual ongoing cost of the Plan's defined benefit liabilities in respect of the Joucomatic Division is 9.9 % of total pensionable salaries of which 4.0 % is to be met by members' contributions.

The annual ongoing cost of the Plan's defined contribution liabilities are in accordance with the rates provided within the individual member booklets.

FRS 17

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 participate 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 its respective costs for the period are £94,000 (2000: £78,000). 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 1999 and updated for FRS 17 purposes to 30 September 2001 by a qualified independent actuary. The total employer contribution to the Plan for the year ended 30 September 2001 was £690,000 (from all participating employers).

Notes (continued)

18 Pension scheme (continued)

The components of the pension charge for the year to 30 September 2001 are:

	£000
Total amount charged to operating profit	3,555
Effect of merger with Daniel Pension Scheme	(3,383)
Amount credited to other finance income	(4,413)

An analysis of the assets and liabilities of the Plan, as at 30 September 2001 is as follows:

	£000
Fair value of Plan assets	114,017
Present value of Plan liabilities	(102,171)
	<hr/>
Plan surplus/(deficit)	11,846
	<hr/>

19 Related party disclosures

The company is controlled by Emerson Holding Company Limited. The ultimate controlling party is Emerson Electric Co.

20 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 largest group in which the results of the company are consolidated is that headed by Emerson Electric Co, incorporated in USA. 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 39 Portman Square, London, W1H 9FH.