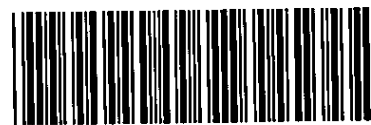


**Emerson Holding Company Limited**

**Directors' report and financial  
statements**

**Registered number 1790726**

**For the year ended 30 September 2008**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2008.

### Principal activities

The principal activity of the company is that of a holding company.

### Business review

There were no acquisitions during the year, however going forward any suitable acquisitions will be made when the opportunities arise. The interest payable to group undertakings of £5.9 million (2007: £5.1 million) for group borrowings contributed to the loss for the year of £6.5million (2007: £25.6 million).

### Dividends

A dividend of £nil (2007: £nil) was paid during the year.

### Directors

The directors who held office during the year and subsequently were as follows:

W. Lyall	
M B Fernandez	
R J Bruengger	(Switzerland)
CT Bauer	(USA resigned 31 December 2008)
D. Rabe	(USA)

### 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**T Field**  
Secretary

Accurist House  
44 Baker Street  
London  
W1U 7AL  
21<sup>st</sup> May 2009

## **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).

The financial statements are required by law to 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**

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

**Independent auditors' report to the members of Emerson Holding Company Limited**

We have audited the financial statements of Emerson Holding Company Limited for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Emerson Holding Company Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

21 May 2009

## Profit and loss account

*for the year ended 30 September 2008*

	<i>Notes</i>	<b>2008 £000</b>	<b>2007 £000</b>
Administrative expenses		<b>(583)</b>	<b>(477)</b>
<b>Operating loss</b>		<b>(583)</b>	<b>(477)</b>
Amounts provided against investments		-	(20,053)
Net interest payable	2	<b>(5,934)</b>	<b>(5,100)</b>
<b>Loss on ordinary activities before taxation</b>	3	<b>(6,517)</b>	<b>(25,630)</b>
Tax on loss on ordinary activities	5	-	-
<b>Loss for the year</b>	10	<b>(6,517)</b>	<b>(25,630)</b>

A statement of movements on reserves is shown in note 10 and a reconciliation of movements in shareholders' funds is set out in note 11.

There are no recognised gains or losses other than the loss for the year.

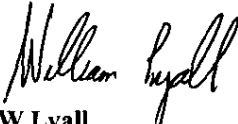
The company's results are derived from continuing operations.

## Balance sheet

at 30 September 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Investments	6	119,020	119,020
<b>Current assets</b>			
Debtors	7	1,453	1,370
<b>Creditors: Amounts falling due within one year</b>	8	(114,698)	(108,098)
<b>Net current liabilities</b>		(113,245)	(106,728)
<b>Net assets</b>		5,775	12,292
<b>Capital and reserves</b>			
Called up share capital	9	97	97
Share premium account	10	58,296	58,296
Other reserves	10	1,712	1,712
Profit and loss account	10	(54,330)	(47,813)
<b>Equity shareholders' funds</b>	11	5,775	12,292

These financial statements were approved by the board of directors on 21<sup>st</sup> May 2009 and signed on its behalf by:

  
 W Lyall  
 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, except as noted below:

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical cost accounting rules.

The company is exempt, by virtue of Section 228 of the Companies Act 1985, from the requirement to prepare group financial statements.

The company is reliant upon the continued financial support of its parent company. The financial statements have been prepared on a going concern basis which the directors of the company believe to be appropriate on the basis of an undertaking from the parent company to provide adequate financial and other support to the company for a period of at least twelve months from the date of these financial statements.

#### ***Cash flow statement***

Under Financial Reporting Standard 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement. The exemption is on the basis that it is a wholly owned subsidiary undertaking and its cash flow appears in a consolidated cash flow statement in the financial statements of the ultimate holding company, Emerson Electric Co., which are publicly available.

#### ***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 at the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account.

#### ***Investments in subsidiary undertakings***

Investments in subsidiary undertakings are stated at cost less provision, if necessary, for impairment. Any impairment in value against original cost is charged to the profit and loss account.

#### ***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.

Deferred tax is provided in full, 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 Financial Reporting Standard 19 'Deferred tax'.

#### ***Related party interest***

As permitted by Financial Reporting Standard 8 'Related Party Disclosures', the company has taken advantage of the exemption not to disclose related party transactions with group entities.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions*

The company sponsors a group hybrid pension scheme (part-defined benefit and part-defined contribution). The assets of the scheme are held separately from those of the company in an independently administered fund.

As the company is unable to identify its share of the defined benefit section of the scheme assets and liabilities on a consistent and reasonable basis this section of the scheme is accounted for by the company as a defined contribution scheme as permitted by Financial Reporting Standard 17 'Retirement benefits'.

In respect of both the defined contribution and the defined benefit sections of the scheme the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

### 2 Net interest payable

	2008 £000	2007 £000
Interest payable on group borrowings	5,934	5,100

### 3 Loss on ordinary activities before taxation

	2008 £000	2007 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit of the company's financial statements	12	12

### 4 Remuneration of directors

The emoluments of the directors excluding any pension contributions were £Nil (2007: £Nil).

## Notes (continued)

### 5 Taxation

#### Analysis of tax charge in year

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

#### Factors affecting the tax for the current year

The current tax credit for the year is lower (2007: lower) than the effective rate of corporation tax in the UK (29%) (2007: 30%). The differences are explained below:

#### Current tax reconciliation

	2008 £000	2007 £000
Loss on ordinary activities before tax	(6,517)	(25,630)
	<hr/>	<hr/>
Current tax at 29% (2007: 30%)	(1,890)	(7,689)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	6,016
Group relief surrendered for no consideration	1,890	1,673
	<hr/>	<hr/>
Total current tax credit	-	-
	<hr/>	<hr/>

On the 1st April 2008 the current tax rate reduced from 30% to 28%. Therefore, the current tax rate applied to the period ended 30 September 2008 is a hybrid rate of 29%.

**Notes** (*continued*)

**6 Fixed asset investments**

	<b>Shares in group undertakings £000</b>
<i><b>Cost</b></i>	
At beginning and end of year	176,591
	<hr/>
<i><b>Provisions</b></i>	
At the beginning and end of year	57,571
	<hr/>
<i><b>Net book value</b></i>	
At 30 September 2008 and 2007	<b>119,020</b>
	<hr/>

## Notes (continued)

### 6 Fixed asset investments (continued)

The principal trading subsidiaries and shares held therein are as shown below.

Subsidiary undertakings incorporated and operating in Great Britain and overseas.

Subsidiary undertakings	Owned by company	Owned by subsidiary company	Principal activity
Asco Joucomatic Limited	76%		Manufacture of fluid control equipment
Asco Power Technologies Limited		100%	Non-trading company
Bristol Babcock Limited	100%		Non-trading company
Computational Systems Limited	100%		Non-trading company
Copeland Limited	100%		Manufacture of compressors
CSA Consulting Engineers Limited	100%		Consulting engineers
El-O-Matic Limited	100%		Non-trading company
Emerson Electric UK Limited	86%		Manufacture and distribution of electrical tools and equipment
Emerson Energy Systems (UK) Limited	100%		Non-trading company
Emerson Process Management Limited	100%		Manufacture of electrical equipment
Emerson Process Management Distribution Limited		100%	Manufacture of electrical equipment
Emerson Process Management Services Limited		100%	Engineering services for the process control industry
Emerson Process Management Shared Services Limited		100%	Services to other group undertakings
Emerson Network Power Limited		100%	Sales and service of uninterruptible power supply
Liebert Swindon Limited		100%	Non-trading company
MDC Technology Limited	100%		Non-trading company
Emerson Network Power Connectivity Solutions Limited (formerly Midwest Microwave International Limited)		100%	Manufacture of electronic components
Midwest Microwave Limited	100%		Non-trading company
Mobrey Trustee Company Limited	100%		Pension trustee company
Mobrey Group Ltd	100%		Non-trading company
Mobrey Limited		100%	Manufacture of electronic components
Mobrey Overseas Sales Limited		100%	Holding company
Mobrey SA/NV (Belgium)		100%	Manufacture of electronic components

## Notes (continued)

### 6 Fixed asset investments (continued)

The principal trading subsidiaries and shares held therein are as shown below.

Subsidiary undertaking incorporated and operating in Great Britain and overseas.

Mobrey Sp Zoo (Poland)	100%	Manufacture of electronic components
Mobrey SA (France)	100%	Manufacture of electronic components
Oaksmere Refrigeration Design and Consultancy Limited	100%	Refrigeration design and consultancy
Pactrol Controls Ltd	100%	Manufacture of electronic controls
SR Drives Manufacturing Limited	100%	Manufacture of electrical equipment
Switched Reluctance Drives Limited	100%	Design, development and manufacture of variable speed drives

As the company is a wholly owned subsidiary of Digital Appliance Controls (UK) Limited, consolidated financial statements are not required to be prepared by virtue of section 228 of the Companies Act 1985.

### 7 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	1,433	1,370
Other debtors	20	-
	<u>1,453</u>	<u>1,370</u>

### 8 Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	-	11
Trade creditors	41	-
Amounts due to group undertakings	114,304	107,767
Accruals and deferred income	353	320
	<u>114,698</u>	<u>108,098</u>

## Notes (continued)

### 9 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
100,000 Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
96,555 Ordinary shares of £1 each	97	97

### 10 Reserves

	Share premium £000	Other reserves £000	Profit and loss account £000
At beginning of year	58,296	1,712	(47,813)
Loss for the year	-	-	(6,517)
At end of year	58,296	1,712	(54,330)

Other reserves comprise capital contributions of £1,712,000. The capital contributions were made for the purchase of subsidiary undertakings and are therefore considered to be non-distributable by the directors until the investment in the given subsidiary is realised.

### 11 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Loss for the financial year	(6,517)	(25,630)
Net reduction of shareholders' funds	(6,517)	(25,630)
Equity shareholders' funds at beginning of year	12,292	37,922
Equity shareholders' funds at end of year	5,775	12,292

## Notes (continued)

### 12 Pensions schemes

The company sponsors a group hybrid pension scheme (part-defined benefit and part-defined contribution) being the Emerson UK Pension Plan ("the Plan") for the benefit of the directors and staff of some of its subsidiary undertakings and certain other companies within the Emerson Electric Co. group.

The Leroy Somer Group Retirement Benefits Scheme was merged with the Plan on 1 June 2008.

#### *Defined benefit section*

The Plan is operated by Emerson Holding Company Limited (the "Principal Company"). The assets of the Plan are administered by a Trustee in a fund independent from those of the company. A full actuarial valuation of the Plan (including both the defined benefit and the defined contribution sections of the Plan) was carried out on 1 April 2008. This valuation indicated that the market value of the plan's assets represented a funding level at 1 April 2008 of 92% of the benefits that had accrued to members, after allowing for the effect of future increases in the earnings of active members.

This was the first valuation of the Plan under the new scheme specific funding legislation introduced by the Pensions Act 2004. As required under legislation, a Statement of Funding Principles, a revised Schedule of Contributions, and a Recovery Plan were agreed by the Trustee and the Principal Company and are now in place.

Due to the company being unable to identify its share of the Plan's assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 the company has accounted for the defined benefit section of the Plan as if it was a defined contribution scheme.

Following the 1 April 2005 actuarial valuation, it was agreed that the participating employers would contribute to the Plan. The total employer contributions to the defined benefit sections of the Plan for the year ended 30 September 2008 was £24,866,000. The minimum contributions for subsequent years have been agreed in the light of the results of the actuarial valuation of the Plan as at 1 April 2008 and are set out in the new Schedule of Contributions signed in March 2009.

The profit and loss charge in respect of the company's employer contributions to the Plan for the year amounted to £187,000 (2007: £158,000) and there were £nil contributions outstanding at the year end (2007: £nil). The contributions payable by the company is in respect of 2 employees of related companies where the Trustees have decided the contributions are to be settled by Emerson Holding Company Limited.

### 13 Ultimate holding company and controlling party

The company's ultimate holding company and controlling party is Emerson Electric Co., a company incorporated in the United States of America.

Copies of the annual financial statements of the ultimate holding company are available from Emerson Electric Co., 8000 West Florissant Avenue, PO Box 4100, St Louis, Missouri 63136, USA.