Eaton Holding Limited

Report and Financial Statements

31 December 2010

Directors
P C Banning
I B Yule
J M Ward

Secretary
P C Banning

Auditors
Ernst & Young LLP
G1
5 George Square
Glasgow G2 1DY

Solicitors
Dundas & Wilson CS
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Registered Office
PO Box 554
Abbey Park
Southampton Road
Titchfield PO14 9ED

Directors' report

The dırectors present theır report and financıal statements for the year ended 31 December 2010

Results and dividends

The loss for the year after taxatıon amounted to £5,482,000 (2009 – loss of £124,012,000) In accordance wıth company legıslatıon, no dıvıdend ıs payable (2009-£nıl)

Principal activities and review of the business

The prıncıpal actıvıty of the company ıs that of an ınvestment holdıng company In 2009 there was an exceptıonal wrıte down of an ınvestment of £116,000,000

Operatıng charges ıncreased by £1m due prıncıpally to foreıgn exchange on the conversıon from sterlıng to Canadıan Dollars of the denomınatıon of an ıntercompany loan

Interest payable decreased £3,566,000 to £4,110,000 reflectıng a decrease ın ınterest rates

Key performance indicators

Measurement of the company's performance ıs consıstently applıed and control ıs exercısed by local and dıvısıonal management The company has a budgetıng system ın place whereby actual performance ıs measured agaınst budget on a monthly reportıng tımetable

Future developments

The company expects sımılar actıvıty ın 2011 contınuıng as a holdıng company

Principal risks and uncertainties

In vıew of ıts lımıted actıvıtıes, the company ıs only exposed to rısks arısıng from

- Interest rate rısk The company has mıtıgated the rısk to ıts posıtıon from changes ın ınterest rates on the loans outstandıng by agreeıng that ınterest payable can be rolled up and added to the loan balance
- Investment rısk, ın that the value of ıts ınvestment ın Eaton Aerospace Lımıted could fall below ıts hıstorıcal cost carryıng value To mıtıgate thıs rısk, the dırectors undertake perıodıc ımpaırment revıews to ensure that the present value of the ınvestment, based on future cash-flows, exceeds the hıstorıc cost value

Financial risk management objectives and policies

The company's polıcy does not permıt tradıng ın any financıal ınstruments

The company has varıous other financıal ınstruments such as ıntercompany credıtors that arıse dırectly from ıts financıng operatıons

The maın rısks arısıng from the company's financıal ınstruments are ınterest rates as explaıned above Thıs ıs covered by ıntercompany financıng arrangements

Going Concern

In lıne wıth the FRC guıdance on Goıng Concern ıssued ın November 2009, the dırectors have undertaken an exercıse to revıew the approprıateness of the contınued use of the Goıng Concern basıs The company's busıness actıvıtıes, a revıew of the busıness and a descrıptıon of the prıncıpal rısks and uncertaıntıes, together wıth the company's financıal rısk management processes and narratıve regardıng ıts exposure to key financıal rısks are outlıned above

Directors' report (continued)

Going Concern (continued)

The company participates in the group's centralised treasury arrangements, which operate across the group and as such shares banking arrangements with its parent and fellow subsidiaries Under such an arrangement, short term cashflow (both deficits and excesses) are managed by the group treasury to optimise the group's overall cash position The directors have made enquiries with group treasury that there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Eaton Corporation to continue as a going concern or its ability to continue with the current banking arrangements

After making such enquiries, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future Accordingly, they continue to adopt the going concern basis in the preparation of the accounts

Directors

The directors who served the company during the year were as follows

P C Banning
J M Ward
I B Yule

Directors' qualifying third party indemnity provisions

The company has arranged insurance cover to indemnify one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval confirms that

• so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

• the director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish the company's auditors are aware of that information

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company

On behalf of the Board

P C Banning
Director
20 December 2011

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgements 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,
- 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

To the members of Eaton Holdıng Limited

We have audıted the financıal statements of Eaton Holdıng Lımıted for the year ended 31 December 2010 whıch comprıse the Profit and Loss Account, the Statement of Total Recognısed Gaıns and Losses, the Balance Sheet and the related notes 1 to 12 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and Unıted Kıngdom Accountıng Standards (Unıted Kıngdom Generally Accepted Accountıng Practıce)

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtor's report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsibilities of directors and auditors

As explaıned more fully ın the Statement of Dırectors' Responsıbılıtıes on page 4, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt and express an opınıon on the financıal statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's Ethıcal Standards for Audıtors

Scope of the audit of the financial statements

An audıt ınvolves obtaınıng evıdence about the amounts and dısclosures ın the financıal statements sufficıent to gıve reasonable assurance that the financıal statements are free from materıal mısstatement, whether caused by fraud or error Thıs ıncludes an assessment of whether the accountıng polıcıes are approprıate to the company's cırcumstances and have been consıstently applıed and adequately dısclosed, the reasonableness of sıgnıficant accountıng estımates made by the dırectors, and the overall presentatıon of the financıal statements In addıtıon, we read all the financıal and non-financıal ınformatıon ın the Report and Fınancıal Statements to ıdentıfy materıal ınconsıstencıes wıth the audıted financıal statements If we become aware of any apparent materıal mısstatements or ınconsıstencıes we consıder the ımplıcatıons for our report

Opinion on financial statements

In our opınıon the financıal statements

- gıve a true and faır vıew of the state of the company's affaırs as at 31 December 2010 and of ıts loss for the year then ended,
- have been properly prepared ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce, and
- have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opınıon the ınformatıon gıven ın the Dırectors' Report for the financıal year for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Independent auditors' report (continued)

To the members of Eaton Holding Limited

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

Ernst & Young LLP

Annie Graham (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

10 December 2011

Profit and Loss Account

For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Other operating charges		(1,372)	(336)
Exceptional loss on write down of investment	5	-	(116,000)
Operating loss		(1,372)	(116 336)
Interest payable and similar charges	3	(4,110)	(7,676)
Loss on ordinary activities before taxation		(5,482)	(124,012)
Tax	4	-	-
Loss for the financial year	9	(5,482)	(124,012)

All items in the profit and loss account relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £5,482,000 in the year ended 31 December 2010 (2009 - loss of £124,012,000)

Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	5	138,754	138,754
Creditors amounts falling due within one year			
Amounts owed to group undertakings	6	(44,558)	(155,101)
Net current liabilities		(44,558)	(155,101)
Total assets less current liabilities		94,196	(16,347)
Creditors amounts falling due after more than one year	7	(182,025)	(66,000)
Net Liabilities		(87,829)	(82,347)
Capital and reserves			
Called up share capital	8	2,000	2,000
Share premium account	9	67,560	67,560
Capital contribution reserve	9	17,682	17,682
Profit and loss account	9	(175,071)	(169,589)
Shareholders' deficit	10	(87,829)	(82,347)

The financial statements were approved for issue by the Board of Directors on 20 December 2011

J M Ward
Director

J Ward

Company Registration Number 3316660

Notes to the financial statements
at 31 December 2010

1. Accounting policies
Fundamental accounting concept

The financial statements have been prepared under the going concern concept on the basis that the Directors have received confirmation that the company will continue to receive financial support from its immediate parent undertaking, Eaton BV, which has agreed to provide adequate funds for the company to meet its liabilities as they fall due for at least a period of one year from the date of approval of these financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the applicable UK accounting standards

The company is exempt from preparing group financial statements, and has not done so, as it has utilised the exemption available to intermediate holding companies under section 401 of the Companies Act 2006

Statement of cash flows

No statement of cash flows has been prepared as the company is entitled to an exemption under FRS 1

Investments

Investments in subsidiary undertakings are held at cost The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Auditor remuneration

Auditor remuneration costs are borne by another group company

2. Directors' emoluments

No director received, or was due to receive, any emoluments in connection with their service as a director of this company in either year

3. Interest payable and similar charges

	2010	*2009*
	£000	*£000*
On loans due to fellow group undertakings	4,110	7,676

Notes to the financial statements

at 31 December 2010

4. Tax

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are reconciled below

	2010	*2009*
	£000	*£000*
Loss on ordinary activities before tax	(5,482)	(124,012)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 –28 %)	(1,535)	(34,723)
Effects of		
Write down of investment not deductible for tax	-	32,480
Expenses not deductible for tax purposes	820	710
Group relief	715	1,533
Current tax for the year	-	-

5. Investments

	Subsidiary undertakings
	£000
Cost	
At 1 January 2010 and 31 December 2010	138,754

The company holds directly 100% of the ordinary share capital of Eaton Limited, Eaton Electric Limited, and Ultronics Limited (manufacturing companies) and Aphel Technologies Limited (a holding company), incorporated in England and Wales

On 20 October 2010 the company acquired the entire share capital of Eaton Industries Limited, a company registered in England and Wales for nil consideration

During 2009 the directors undertook a review of the Eaton Electric Limited business In view of the market conditions, the operating losses incurred by the business and the uncertainty over its future prospects, especially with increasing competition from Far Eastern suppliers, it was decided that the investment in this business has been fully impaired and thus the investment was written down to £nil

Notes to the financial statements
at 31 December 2010

5. Investments (continued)

The capital and reserves at 31 December 2010 and the profit / (loss) for the year then ended were as follows

Name of undertaking	*Capital and reserves as at 31 December 2010 £000*	*Profit/(Loss) for the year ended 31 December 2010 £000*
Eaton Limited	221,271	5,037
Eaton Electric Limited	14,398	(16,151)
Ultronics Limited	(17,868)	(1,684)
Eaton Industries Limited	81,547	(50,344)
Aphel Technologies Limited	505,986	-

6. Creditors: amounts falling due within one year

	2010 £000	*2009 £000*
Loans from group undertaking	44,558	155,101

7. Creditors: amounts falling due after more than one year

	2010 £000	*2009 £000*
Loans from group undertaking	182,025	66,000

The company's loans with other group companies bear interest at commercial rates, which are based on LIBOR The directors have confirmed with other Eaton group companies that adequate funds will be provided for the company to meet its liabilities as they fall due

£116,000,000 loan is repayable no later than 2013 and is repayable earlier at the option of the borrower It bears interest at a rate of LIBOR plus 0 25% per annum

The remaining balance relates to a 102,329,908 Canadian Dollar loan repayable no later than 2012 and is repayable earlier at the option of the borrower It bears interest at a rate of LIBOR plus 2% per annum

Notes to the financial statements

at 31 December 2010

8. Issued share capital

		2010		2009
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	2,000	2	2,000	2

9. Reserves

	Capital contribution reserve £000	Share premium account £000	Profit and loss account £000
At 1 January 2010	17,682	67,560	(169,589)
Loss for the year	-	-	(5,482)
At 31 December 2010	17,682	67,560	(175,071)

10. Reconciliation of movements in equity shareholder's funds

	2010 £000	2009 £000
Shareholder's (deficit)/ funds at 1 January	(82,347)	41,665
Loss for the year	(5,482)	(124,012)
Shareholder's deficit at 31 December	(87,829)	(82,347)

11. Related party transactions

The company has taken advantage of the exemption in FRS 8, paragraph C not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate parent undertaking The company has not transacted with any other related parties in the year

12. Ultimate parent undertaking and controlling party

On 22 September 2011 the company was acquired by Eaton Holding LLC, another group company, registered in the United States of America The shares were transferred for nil consideration The company's ultimate parent undertaking is Eaton Corporation which is incorporated in the United States of America The only group of which the company is a member and for which group financial statements are prepared is that headed by Eaton Corporation Copies of the 2010 Annual Report of Eaton Corporation can be obtained from the following address

Eaton Corporation
Eaton Centre
Cleveland
Ohio 44114-2584
USA