

Eaton Holding Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Eaton Holding Limited

Registered No 3316660

Directors

J D Pryde (resigned 20 May 2009)

I B Yule

J M Ward (appointed 20 May 2009)

P Banning (appointed 20 May 2009)

Secretary

I B Yule

Auditors

Ernst & Young LLP

George House

50 George Square

Glasgow

G2 1RR

Solicitors

Dundas & Wilson CS

Salure Court

20 Castle Terrace

Edinburgh

EH1 2EN

Registered Office

PO Box 554

Abbey Park

Southampton Road

Titchfield

PO14 9ED

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008

Results and dividends

The company made a loss after tax of £13,013,000 (2007 loss of £8,607,000) The directors do not recommend the payment of a dividend for the year

Principal activities and review of the business

The principal activity of the company is that of an investment holding company

Interest payable increased £1,111,000 to £9,705,000 reflecting the increase in both intercompany borrowing and interest rates

Key Performance Indicators

Measurement of the company's performance is consistently applied and control is exercised by local and divisional management The company has a budgeting system in place whereby actual performance is measured against budget on a monthly reporting timetable

Principal Risks and Uncertainties

Financial and non-financial

- Interest rates and investment risk.

Future developments

The company expects similar activity to 2008

Financial risk management objectives and policies

The company's policy does not permit trading in any financial instruments

The company has various other financial instruments such as intercompany debtors and creditors that arise directly from its financing operations

The main risks arising from the company's financial instruments are interest rates as explained above This is covered by intercompany financing arrangements

Directors

The directors of the company during the year ended 31 December 2008 were as follows

J D Pryde (resigned 20 May 2009)

I B Yule

J M Ward (appointed 20 May 2009)

P Banning (appointed 20 May 2009)

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 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Directors' report

Disclosure of information to 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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

Re-appointment of auditors

In accordance with s 385 of the Companies Act 1985, 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



I B Yule
Director

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Statement of directors' responsibilities in respect of the financial statements

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 Standard and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company. 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 UK Accounting Standards have been followed, subject to any material departure 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 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 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 Holding Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses and the Balance Sheet and the related notes 1 to 14. 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 auditors' 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 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.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Glasgow
3 February, 2010

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Other operating charges		(162)	(13)
Exceptional loss on write down of investment	3	(3,146)	-
Operating loss		(3,308)	(13)
Interest payable and similar charges	4	(9,705)	(8,594)
Loss on ordinary activities before taxation		(13,013)	(8,607)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	11	(13,013)	(8,607)

Statement of total recognised gains and losses

for the year ended 31 December 2008

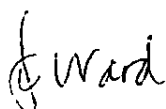
There are no recognised gains or losses other than those included in the profit and loss account above

Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	6	254,754	191,731
Current assets			
Debtors	7	-	78
Creditors amounts falling due within one year			
Amounts owed to group undertakings	8	(147,089)	(72,131)
Net current liabilities		(147,089)	(72,053)
Total assets less current liabilities		107,665	119,678
Creditors amounts falling due after more than one year	9	(66,000)	(65,000)
		41,665	54,678
Capital and reserves			
Called up share capital	10	2,000	2,000
Share premium account	11	67,560	67,560
Capital contribution reserve	11	17,682	17,682
Profit and loss account	11	(45,577)	(32,564)
Equity shareholder's funds	12	41,665	54,678

The financial statements were approved for issue by the Board of Directors on 30 FEB 2010



J M Ward
Director

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The company will receive financial support from other Eaton group companies, who have agreed to provide adequate funds for the company to meet its liabilities as they fall due.

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 228A of the Companies Act 1985.

Cash flow

No cash flow statement has been prepared as the company is entitled to an exemption under FRS1 Cash Flow Statement.

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. Write Down of Investments

During the year the lease on the premises of the Aphel business expired and, in assessing the options to relocate the business, the directors undertook a review of this business. In view of the current market conditions, the current 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.

4. Interest payable and similar charges

	2008	2007
	£000	£000
On loans due to fellow subsidiary undertakings repayable within five years	9,705	8,594

Notes to the financial statements

at 31 December 2008

5. 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 28.50% (2007 – 30%). The differences are reconciled below

	2008 £000	2007 £000
Loss on ordinary activities before tax	(13,013)	(8,607)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.50% (2007 30%)	(3,709)	(2,582)
Effect of		
Write-down of investment not deductible for tax	897	
Expenses not deductible for tax purposes	1,421	1,516
Group relief	1,391	1,066
Current tax charge for the year	-	-

6. Investments

	<i>Subsidiary undertakings</i> £000
Cost	
At 1 January 2008	191,731
Investments in year	66,169
Investment impaired	(3,146)
At 31 December 2008	254,754

During the year the lease on the premises of the Aphel business expired and, in assessing the options to relocate the business, the directors undertook a review of this business. In view of the current market conditions, the current 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.

On 24 November 2008, the company purchased one additional share in Eaton Electric Limited for the consideration of £66 million.

The company holds directly 100% of the ordinary share capital of Eaton Limited, Eaton Electric Limited, Ultronic Limited and Aphel Limited, manufacturing companies, incorporated in England and Wales.

Notes to the financial statements

at 31 December 2008

6. Investments (continued)

The capital and reserves at 31 December 2008 and the profit/(loss) for the year then ended were as follows

<i>Name of undertaking</i>	<i>Capital and reserves as at</i>	<i>Profit/ (loss) for the year ended</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Eaton Limited	211,345	14,186
Eaton Electric Limited	40,589	(9,507)
Ultronics Limited	(13,960)	(3,044)
Aphel Limited	(358)	(168)
	<u> </u>	<u> </u>

7 Debtors

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Other debtors	-	78
	<u> </u>	<u> </u>

8. Creditors. amounts falling due within one year

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Loans from group undertaking	147,089	72,131
	<u> </u>	<u> </u>

The company's loans with other group companies bear interest at commercial rates, which are based on LIBOR. The loans will be rolled over and the counterparty will not seek repayment until mid 2011. 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.

Notes to the financial statements

at 31 December 2008

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

	2008 £000	2007 £000
Loans from group undertaking	66,000	65,000

£66,000,000 loan is repayable no later than November 2011 and is repayable earlier at the option of the borrower. It bears interest at a rate of LIBOR plus 2% per annum.

10. Share capital

	2008 £000	2007 £000
Authorised Ordinary shares of £1 each	2,000	2,000
Alotted, called up and fully paid Ordinary shares of £1 each	2,000	2,000

11. Reserves

	Capital contribution reserve £000	Share premium account £000	Profit and loss account £000
At 1 January 2008	17,682	67,560	(32,564)
Loss for the year	-	-	(13,013)
At 31 December 2008	17,682	67,560	(45,577)

12 Reconciliation of movements in equity shareholder's funds

	2008 £000	2007 £000
Shareholder's funds at 1 January	54,678	63,285
Loss for the year	(13,013)	(8,607)
Shareholder's funds at 31 December	41,665	54,678

13. Related party transactions

As in excess of 90% of the company's voting rights are controlled by Eaton Corporation, copies of whose financial statements are publicly available at the address below, the company is not required to disclose transactions with other group subsidiaries or associated undertakings. The company has not transacted with any other related parties during the year.

Notes to the financial statements

at 31 December 2008

14. Parent undertakings

The company's immediate parent undertaking is Eaton BV, a company registered in the Netherlands

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 2008 Annual Report of Eaton Corporation can be obtained from the following address

Eaton Corporation
Eaton Centre
Cleveland
Ohio 44114-2584
USA