Asco Joucomatic Limited

Strategic report, Directors' report and financial statements

Registered number 2861557

30 September 2014

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Strategic Report

Business review

The year 2014 built on the progress made over the previous two years. Despite difficult trading conditions throughout Europe during the year the UK remained stable. The market recovery in manufacturing across the board over the last three years has had a beneficial impact on our direct sales and distribution network. We continue to work with our customers and respond to their requirements.

We continued to maintain our focus on specific product areas during the year. This was a key factor in our ongoing progress as we benefited by further developing business with industries such as Petrochemical, Biotech Pharmaceutical, Medical, and Packaging. This focus helped to offset other sectors that were not growing. We will continue to concentrate on specific sectors of industry where we believe that our product and service offering will enable us to improve our market position.

During the year we continued to invest in upgrading machinery, this coupled with actions to continually improve our lean manufacturing techniques has enabled further improvements to be made to our service and efficiency which has contributed to better customer satisfaction and has protected the Company's profitability.

Overall the result is a pre-tax profit of £3.0million *(2013:£3.0million)* and a turnover of £19.3million *(2013: £19.2million)*. All of the actions taken in 2014 give us confidence that we can continue to build up profitable sales and be an attractive supplier for customers looking for high added value.

The Company's net assets at 30 September 2014 were £19.8million *(2013: £19.5m)* which means that we continue to be in a strong financial position with good liquidity, enabling the Company to comfortably meet any working capital requirements for the foreseeable future.

The Company's management uses a number of key measures to monitor and manage the performance of the business. At the Company level the key performance indicators are sales, gross profit, gross profit percentage, EBIT (Earnings before interest and tax), cash generated by operations and the following more specific indicators:

- Daily Sales Outstanding
- Inventory Turnover
- Daily Payments Outstanding
- Trade Working Capital
- Service Levels

Principal risks and uncertainty

The risk factor evaluation shows that we are not substantially exposed to any significant business risks as we have a large span of customers all involved in different market segments. In addition our largest customer does not account for more than 7% *(2013: 6.3%)* of our total sales.

Research and development

The Company participates in an extensive group product development programme.

Dividends

During the year an interim dividend of £2,002,150 *(£2.58 per ordinary share)* was paid in respect of the year ended 30 September 2014 *(2013: £3.87 per ordinary share)*. No further dividends are proposed.

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.

Future Developments

We are now recruiting additional sales and marketing staff to further improve our ability to service our customers.

S W Patterson

23|1|2015

Director

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2014.

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.

Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with our group policies legal obligsations and international standard ISO 14001 (B.S.I. certificate EMS 509106). Initiatives designed to minimise the Company's impact on the environment include energy management, waste reduction, emergency preparedness and safe disposal of waste arising from operations in addition to recycling materials are implemented whenever it is practicable.

Directors
The directors who served during the year or subsequently were:

J-C Serkumian	Resigned 1st July 2014
SW Patterson	
I Glencastle	
J-L Tenu	Appointed 1st July 2014

Employees

It is the policy of the Company to employ people who are handicapped by disablement provided it is practicable to offer them suitable employment and to make every effort to provide appropriate employment for employees who become disabled. It is the intention to give disabled people opportunities for training, career development and promotion consistent with their capabilities. The individual needs of the disabled are taken into consideration and where practicable, special arrangements are made to enable them to carry out their work.

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

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

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

By order of the board

23/1/2015

SW Patterson
Director

Pit Hey Place
West Pimbo
Skelmersdale
Lancashire
WN8 9PG

Statement of directors' responsibilities in respect of the Strategic Report and Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and 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).

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 judgments 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; and
- 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 adequate 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 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

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

Independent auditor's report to the members of Asco Joucomatic Limited

We have audited the financial statements of Asco Joucomatic Limited for the year ended 30 September 2014 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade, Liverpool, L3 1QH

Date: 26 January 2015

Profit and loss account
for the year ended 30 September 2014

	Note	**2014 £000**	2013 £000
Turnover	*2*	**19,283**	19,230
Cost of sales		**(12,925)**	(12,839)
Gross profit		**6,358**	6,391
Selling and Distribution costs		**(1,868)**	(1,907)
Administrative expenses		**(1,557)**	(1,512)
Operating profit		**2,933**	2,972
Other interest receivable and similar income	*6*	**43**	42
Profit on ordinary activities before taxation	*3*	**2,976**	3,014
Tax on profit on ordinary activities	*7*	**(668)**	(760)
Profit for the financial year		**2,308**	2,254

All amounts relate to continuing operations. The company has no recognised gains or losses other than the result for the year as set out above, therefore a separate statement of gains or losses has not been prepared.

The notes on pages 8 to 17 form part of the financial statements.

Balance sheet
at 30 September 2014

	Note	**2014** £000	**2014** £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*9*		**1,876**		1,873
Investments	*10*		**533**		533
			2,409		2,406
Current assets					
Stocks	*11*	**1,052**		1,224	
Debtors	*12*	**20,650**		19,951	
Cash at bank and in hand		**1**		1	
		21,703		21,176	
Creditors: amounts falling due within one year	*13*	**(4,344)**		(4,120)	
Net current assets			**17,359**		17,056
Total assets less current liabilities			**19,768**		19,462
Net assets			**19,768**		19,462
Capital and reserves					
Called up share capital	*15*		**776**		776
Share premium account	*16*		**15,274**		15,274
Profit and loss account	*16*		**3,718**		3,412
Shareholders' funds			**19,768**		19,462

The notes on pages 8 to 17 form part of the financial statements.

These financial statements were approved by the board of directors on 23/11/2015 and were signed on its behalf by:

SW Patterson
Director

Reconciliation of movements in shareholders' funds

for the year ended 30 September 2014

	2014	2013
	£000	£000
Profit for the financial year	**2,308**	2,254
Dividends	**(2,002)**	(3,003)
Net (decrease)/increase in shareholders' funds	**306**	(749)
Opening shareholders' funds	**19,462**	20,211
Closing shareholders' funds	**19,768**	19,462

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 is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a 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 FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Emerson Electric Co, within which this Company is included, can be obtained from the address given in note 20.

Going concern

The financial statements have been prepared on a going concern basis because, after making due enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Fixed assets and depreciation

Tangible fixed assets are included in the balance sheet at historical cost. 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.

Notes *(continued)*

1 Accounting Policies *(continued)*

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 participates in a group wide pension scheme, the Emerson UK pension Plan, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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. Deferred tax is 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. It is group policy that the seller bears the risk over goods until they reach their destination.

Cash

All cash balances of the Company are deposited in a group banking arrangement and are presented as intercompany balances.

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:

	2014	2013
	£000	£000
By geographical market		
United Kingdom	**11,760**	11,331
Europe	**5,572**	5,749
USA	**636**	594
Australia and Far East	**1,223**	1,458
Africa	**92**	98
	19,283	19,230

Notes *(continued)*

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	**2014** **£000**	2013 £000
Depreciation and other amounts written off tangible fixed assets:		
Owned	**329**	302
Hire of plant and machinery - operating leases	**138**	145

Auditor's remuneration:		2013
	£000	£000
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements	**37**	34
Other non audit services	**1**	1

4 Remuneration of directors

	2014 **£000**	2013 £000
Emoluments	**88**	79
Company contributions to money purchase pension schemes	**5**	5

Retirement benefits are accruing to the following number of directors:	**2014** **Number**	2013 Number
Defined benefit pension scheme	**Nil**	Nil
Money purchase pension scheme	**1**	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	
	2014	2013
Production	**98**	101
Distribution and marketing	**36**	38
Administration	**11**	11
Services	**2**	2
Engineering	**1**	2
Other	**12**	12
	160	166

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	**3,601**	3,633
Social security costs	**300**	303
Other pension costs	**277**	225
	4,178	4,161

6 Other interest receivable and similar income

	2014	2013
	£000	£000
Bank interest receivable and similar income	**43**	42

Notes *(continued)*

7 Taxation on profit on ordinary activities

	2014	2013
	£000	£000
UK corporation tax		
Current tax on income for period	679	725
Adjustment in respect of prior periods	(4)	50
Total current tax	675	775
Deferred taxation		
Origination and reversal of timing differences	(7)	(15)
	668	760

Factors affecting the tax charge for the current period

The tax charge assessed for the period is lower than *(2013: higher)* the standard rate of corporation tax in the UK of 22% *(2013: 23.5%)*. The differences are explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	2,976	3,014
Profit on ordinary activities multiplied by the standard rate of corporate tax in the UK of 22% *(2013: 23.5%)*	655	708
Effects of:		
Expenses not deductible for tax purposes	9	7
Other timing differences	15	10
Adjustment in respect of prior periods	(4)	50
Total current tax (see above)	675	775

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1st April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date. The current tax rate applied to the year ended 30 September 2014 is a hybrid rate of 22%.

8 Dividends

The aggregate amounts of dividends comprises:	2014	2013
	£000	£000
Interim dividend paid in respect of the current year	2,002	3,003

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, Tools and equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	698	3,515	3,832	8,045
Additions	-	276	60	336
Disposals	-	(9)	-	(9)
Transfers	-	-	-	-
At end of year	**698**	**3,782**	**3,892**	**8,372**
Depreciation				
At beginning of year	264	2,665	3,243	6,172
Charge for year	13	146	170	329
Disposals	-	(5)	-	(5)
Transfers	-	-	-	-
At end of year	**277**	**2,806**	**3,413**	**6,496**
Net book value				
At 30 September 2014	421	976	479	1,876
At 30 September 2013	434	850	589	1,873

Included in freehold land and buildings is an amount of £66,000 *(2013: £66,000)* in respect of non-depreciable land. All buildings held by the Company are freehold.

10 Fixed asset investments

	Shares in Group Undertaking £000
Cost and net book value	
At beginning and end of year	**533**

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
Asco Power Technologies Limited	England and Wales	Dormant	100% Ordinary shares of £1 each

Notes *(continued)*

11 Stocks

	2014	2013
	£000	£000
Raw materials and consumables	**544**	707
Work in progress	**13**	17
Finished goods and goods for resale	**495**	500
	1,052	1,224

12 Debtors

	2014	2013
	£000	£000
Trade debtors	**2,823**	2,532
Amounts owed by group undertakings	**17,580**	17,191
Other debtors	**68**	59
Prepayments and accrued income	**133**	130
Deferred tax (note 14)	**46**	39
	20,650	19,951

13 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	**1,180**	1,428
Amounts owed to group undertakings	**1,221**	1,166
Taxation and social security	**352**	398
Accruals and deferred income	**1,591**	1,128
	4,344	4,120

Notes *(continued)*

14 Deferred tax asset

	Deferred taxation £000
At 1 October 2013	39
Credited during the year to the profit and loss account	7
At 30 September 2014 (note 12)	**46**

The amounts for deferred taxation are set out below:

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	**42**	34
Other timing differences	**4**	5
Deferred tax asset	**46**	39

15 Called up share capital

	2014 £000	2013 £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

16 Share premium and reserves

	Share premium Account £000	Profit and loss account £000
At beginning of year	15,274	3,412
Profit for the year	-	2,308
Dividends	-	(2,002)
At end of year	**15,274**	**3,718**

Notes *(continued)*

17 Contingent liabilities

As at 30 September 2013 the company had entered into a guarantee to HM Customs and Excise in respect of duty deferment amounting to £80,000 *(2013: £80,000).*

18 Commitments

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

	2014 £000	2013 £000
Contracted	**73**	216

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

	2014 Other £000	2013 Other £000
Operating leases which expire:		
Within one year	**17**	25
In the second to fifth years inclusive	**101**	71
	118	96

19 Pension scheme

The company participates in a group hybrid pension scheme (part-defined benefit and part-defined contribution) being The Emerson UK Pension Plan ("the Plan"). The Asco Joucomatic Limited section forms part of the defined benefit section of the Plan.

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 2011. This valuation indicated that the market value of the Plan's assets represented a funding level at 1 April 2011 of 106% 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 second valuation of the Plan under the scheme specific funding legislation introduced by the Pensions Act 2004. As required by legislation, a Statement of Funding Principles and a new Schedule of Contributions were agreed by the Trustee and the Principal Company and are now in place.

Notes *(continued)*

19 Pension scheme

Following the 1 April 2011 actuarial valuation, it was agreed that the participating employers would contribute to the Plan. The total combined participating employer contributions to the defined benefit sections of the Plan for the year ended 30 September 2014 were £11,985,000 *(2013: £10,000,000)*. This amount was made up of:

- contributions paid by the participating employers in March 2014 totaling £2,000,000 as required by the Schedule of Contributions
- a one-off contribution paid by the participating employers in March 2014 totaling £9,985,000 in relation to the sale of the Astec business.

The minimum cumulative contributions agreed in the Schedule of Contributions are £30,000,000 between 1 March 2013 and 30 June 2016 of which £24,000,000 need to be paid before 30 June 2015. As of 30 September 2014, £18,000,000 had been contributed leaving a minimum further contribution to be made before 30 June 2016 of £12,000,000 (£6,000,000 of which need to be paid by 30 June 2015)

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.

The profit and loss charge in respect of the company's employer contributions to the Plan for the year amounted to £164,000 *(2013: £143,000)* and there were £nil contributions outstanding at the year end *(2013: £nil)*.

Defined contribution section

The company's pension costs for the year in respect of the defined contribution section of the Plan amounted to £100,560 *(2013: £81,522)*. The contributions outstanding at the year-end amounted to £nil *(2013: £nil)*.

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 Holdings Company Limited incorporated in Great Britain.

The Ultimate parent company and group in which the results of the company are consolidated is headed by Emerson Electric Co, which is incorporated in the USA. Accounts of Emerson Electric Co may be obtained from 8000 W Florissant Avenue, PO Box 4100, St Louis, Missouri, MO63136, USA.