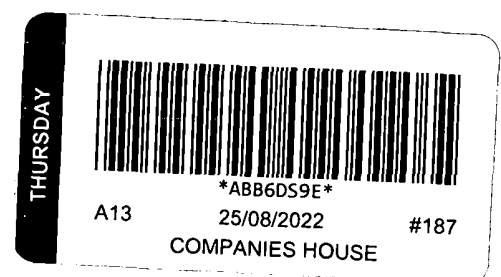


**Emerson Automation Fluid Control & Pneumatics
UK Ltd**

Annual report and financial statements
Registered number 2861557
30 September 2021



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Emerson Automation Fluid Control & Pneumatics UK Ltd	6
Profit and loss account and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes	13

Strategic report

Business review

During the year ended 30 September 2021 the Company had to deal with difficult trading conditions throughout Europe although the UK remained stable. The Company continued to maintain focus on specific product areas during the year and benefited by further developing business with industries such as Biotech, Pharmaceutical, Medical, and Packaging. This focus helped to partially offset other sectors that were not growing. The Company will continue to concentrate on specific sectors of industry where it is believed that its product and service offering will enable it to improve its market position.

During the year, the company gained sales of the Tescom product range resulting in an additional £2m sales for the company.

During the year the Company continued to look to improve LEAN manufacturing techniques and improve its efficiency, quality and service to its customers. The Company also strived to contain costs and look at renewable energy opportunities.

Overall the result is a pre-tax profit of £1.57 million (2020: £0.7million) and a turnover of £20.7 million (2020: £16.9 million). The gross profit was £5.6 million (2020: £4.6 million) and the gross profit percentage was 27% (2020: 28%). All of the actions taken in the year ended 30 September 2021 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 2021 were £25.7 million (2020: £24.2 million) which means that we continue to be in a strong financial position with good liquidity available through intergroup cash pooling facilities, 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

Tescom

In the period the company gained the sales of the Tescom product range on 1st October 2020, two employees were transferred to the company to facilitate the sales of the Tescom range.

Principal risks and uncertainty

The risk factor evaluation shows that we are not substantially exposed to any significant business risks as the Company has a large span of customers all involved in different market segments. The Company's largest customer accounts for 12% (2020: 12%) of our total sales.

Concerns exist around the recent increase in utility costs and associated increases to purchased materials. An Emerson lead team has been formed to group all Emerson UK companies together in order to obtain the best leverage for utilities costs. The European commodities purchasing team look to secure the best possible prices and dual source where possible to minimise risks.

Brexit

Brexit has presented many challenges.

Import tariffs incurred due to operating outside of the European Union will continue as we try to develop a software designed to prove "Country of Origin". We are also now subject to VAT duties.

Brexit has also impacted our business with companies located in the Republic of Ireland. Product now has to be shipped from within the EU to Skelmersdale and shipped on to ROI. This incurs import tariffs. Previously orders were shipped direct.

Strategic report (continued)

The company is working to meet legal requirements for UK CA marking on all products due to come into effect 1st Jan 2023.

COVID -19

Emerson Automation Fluid Control & Pneumatics UK Ltd has performed well despite the restraints imposed by several lockdowns, we are seeing sales and orders bouncing back to pre-pandemic levels. During FY 21 we continued to adhere to government regulations, office staff have moved to hybrid working.

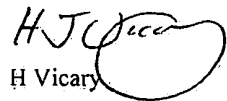
The company is closely monitoring the situation and will take necessary action to offset threats and risks as they become clear and defined. The actions taken by the company has minimised risk to employees.

Russia

The company has considered the implications of the ongoing geopolitical events and, aside from the impact of the wider economics of those events, the business does not believe it has specific material exposure.

Future developments

The Company is currently working with our European group companies to rationalise our sites across the region into properties owned by Emerson, this has the potential to bring in revenue by renting out vacant office space.


H Vicary

Director

August 23 2022

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2021.

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 obligations and international standard ISO 14001 (B.S.I. certificate EMS 509106). Initiatives designed to minimise the Company's impact on the environment include: emergency preparedness, energy management, waste management and reduction where possible, as well as safe disposal of waste arising from operations including recycling materials whenever it is practicable, LED lights have been installed in the office and Factory.

Directors

The directors who served during the year and up to the date of signing this report were:

Harry Vicary

Christophe Petit

Shaun Patrick Taylor

Research and development

No costs were incurred by the Company in the current or prior financial year. The Company participates in an extensive group product development programme.

Dividends

During the year no dividends were paid in respect of the year ended 30 September 2021 (2020: £nil) and there are no dividends proposed.

Going concern

The accounts are prepared on a going concern basis on the basis of continued financial and other support provided by Emerson Electric Co. See Note 1.2 for further details

Future developments

An indication of likely future developments is included in the strategic report on page 2.

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.

Directors' report (continued)

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


H Vicary
Director

Pit Hey Place
West Pimbo
Skelmersdale
Lancashire
WN8 9PG

August 23 2022

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



1 St Peters Square
Manchester
M2 3AE
United Kingdom

Independent Auditor's Report to the members of Emerson Automation Fluid Control & Pneumatics UK Ltd.

Opinion

We have audited the financial statements of Emerson Automation Fluid Control & Pneumatics UK Ltd. ("the Company") for the year ended 30 September 2021 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the entity has a large number of low value sales and therefore a fraud through revenue recognition would be required on a significant number of items for them to be collectively material. Given the simplistic nature of revenue principles and the sales cycle, this is deemed suitably low risk.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue and cash.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company’s license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial nature of the Company’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to

enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; and
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1, St Peter's Square
Manchester
M2 3AE

24 August 2022

Profit and loss account and other comprehensive income
for the year ended 30 September 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	2	20,660	16,892
Cost of sales		(15,076)	(12,230)
Gross profit		5,584	4,662
Administrative expenses		(4,022)	(3,936)
Operating profit	3,4	1,562	726
Other interest receivable and similar income	6	4	-
Profit before taxation		1,566	726
Tax on profit	7	(12)	(2,503)
Profit for the financial year		1,554	(1,777)

All amounts derive from continuing operations. The Company had no other comprehensive income in the current or prior year. The notes on pages 13 to 28 form part of the financial statements.

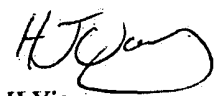
Balance sheet

As at 30 September 2021

	Note	2021	2020
		£000	£000
Fixed assets			
Tangible assets	8	1,174	1,258
Goodwill	9	5,449	6,180
Investments	10	-	-
		6,623	7,438
Current assets			
Stocks	11	1,269	1,165
Debtors	12	22,981	19,901
Cash at bank and in hand	13	-	-
		24,250	21,066
Creditors: amounts falling due within one year	14	(5,135)	(4,320)
Net current assets		19,115	16,746
Total assets less current liabilities		25,738	24,184
Net assets		25,738	24,184
Capital and reserves			
Called up share capital	16	776	776
Share premium account		15,879	15,879
Profit and loss account		9,083	7,529
Shareholders' funds		25,738	24,184

The notes to pages 13 to 28 form part of the financial statements.

These financial statements were approved by the board of directors on 23 August 2022 and were signed on its behalf by:



H Vicary
Director

Company registered number: 2861557

Statement of changes in equity

	Called up share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 October 2019	776	15,879	9,306	25,961
Total comprehensive income for the period				
Profit or loss	-	-	(1,777)	(1,777)
Balance at 30 September 2020	<u>776</u>	<u>15,879</u>	<u>7,529</u>	<u>24,184</u>
Balance at 1 October 2020	<u>776</u>	<u>15,879</u>	<u>7,529</u>	<u>24,184</u>
Total comprehensive income for the period				
Profit or loss	-	-	1,554	1,554
Balance at 30 September 2021	<u>776</u>	<u>15,879</u>	<u>9,083</u>	<u>25,738</u>

The notes to pages 13 to 28 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Emerson Automation Fluid Control & Pneumatics UK Ltd (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered number is 2861557 and the registered address is 2 Pit Hey Place, West Pimbo, Skelmersdale, WN8 9PG

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”)*. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Emerson Electric Co includes the Company in its consolidated financial statements. The consolidated financial statements of Emerson Electric Co are prepared in accordance with United States Generally Accepted Accounting Practice, available to the public and may be obtained from 8000 W Florissant Avenue, PO Box 4100, St Louis, Missouri, MO63136, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Emerson Electric Co include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 405 of the Companies Act 2006 given the immaterial nature of the subsidiary held at the period end.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The company has net current assets of £19,115,000 as at 30 September 2021 and made a profit for the year then ended of £1,554,000. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is part of a wider group business model by which group companies at times provide and receive services from each other and as needed use group funding and cash pool arrangements.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The forecasts indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent company, Emerson Electric Co, to meet its liabilities as they fall due for that period. Downside scenarios included a reduction in sales.

Those forecasts are dependent on Emerson Electric Co providing additional financial support during that period. Emerson Electric Co has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts currently due to the group, which at 30 September 2021 amounted to £3.5m for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 45 years
- Plant and equipment 10 years
- Fixtures and fittings 5-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

1.7 Amortisation

Goodwill is amortised on a straight line bases over its useful life. The finite useful life of goodwill is estimated to be 10 years.

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- The fair value of the consideration (excluding contingent consideration) transferred: plus
- Estimated amount of contingent consideration (see below): plus
- The fair value of the equity instruments issued: plus
- Directly attributable transaction costs: less
- The net recognised amount (generally fair value) of the identifiable assets acquired on liabilities contingent liabilities assumed.

When the excess is negative, this is recognised as separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

Accounting policies (continued)

1.10 Group Plans

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 Emerson Automation Fluid Control and Pneumatics UK Ltd section forms one of the defined benefit sections of the Plan. 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.

As there is no contractual agreement or stated group policy for charging the UK GAAP net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Emerson Holding Company Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period as if it was a defined contribution scheme. The contributions payable by the participating entities are determined on the funding basis as at the latest triennial valuation of the scheme and are set out within the Schedule of Contributions. The allocation of the cash contribution is determined by the principal employer, Emerson Holding Company Limited.

1.11 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 and as such revenue is recognised on delivery.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.13 Judgement and Estimates

In the course of preparing the financial statements the useful economic life of the Aventics and Topworx acquisitions were deemed to be 10 years in accordance with Emerson group policy.

Notes (continued)

1 Accounting policies (continued)

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Investments

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Notes (continued)

2 Turnover

The directors are of the opinion that there is only one class of business being the manufacture and market distribution of equipment. The geographical analysis (by destination) is as follows:

	2021 £000	2020 £000
<i>By geographical market</i>		
United Kingdom	18,174	13,604
Europe	2,255	2,768
USA	11	70
Australia and Far East	196	296
Middle East / Africa	24	154
	<u>20,660</u>	<u>16,892</u>

3 Expenses and auditor's remuneration

Included in profit are the following:

	2021 £000	2020 £000
Depreciation on tangible fixed assets	203	164
Amortisation of Goodwill (K Controls / Topworx / Aventics)	731	688
Hire of plant and machinery / vehicles	227	196
	<u></u>	<u></u>

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	38	38
Other non-Audit Services	1	1
	<u></u>	<u></u>

Notes (continued)

4 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	
	2021	2020
Production	30	30
Distribution and marketing	36	33
Administration	5	7
Services	2	2
Other	11	11
	<u>84</u>	<u>83</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	3,636	3,197
Social security costs	384	356
Contributions to defined contribution plans	246	263
	<u>4,266</u>	<u>3,816</u>

5 Directors' remuneration

	2021	2020
	£000	£000
Emoluments	107	88
Company contributions to money purchase pension plans	7	7

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	-	-

Notes (continued)

6 Other interest receivable and similar income

	2021 £000	2020 £000
Interest receivable and similar income	4	-
	<u>4</u>	<u>-</u>

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2020 £000
<i>Current tax</i>		
Current tax on income for the period	465	2,628
Adjustments in respect of prior periods	(437)	(165)
Total current tax	<u>28</u>	<u>2,463</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3)	9
Effective changes in tax rates	(13)	(5)
Adjustments in respect of prior periods	-	36
Total tax	<u>12</u>	<u>2,503</u>

	2021 £000	2021 £000	2020 £000	2020 £000	2020 £000	2020 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	28	(16)	12	2,463	40	2,503
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	<u>28</u>	<u>(16)</u>	<u>12</u>	<u>2,463</u>	<u>40</u>	<u>2,503</u>

Notes (continued)

7 Taxation (continued)

Analysis of current tax recognised in profit and loss

	2021 £000	2020 £000
UK corporation tax	12	2,503
Total current tax recognised in profit and loss	12	2,503

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit for the year	1,554	(1,777)
Total tax expense	12	2,503
Profit excluding taxation	1,566	726
Tax using the UK corporation tax rate of 19.0%	296	139
Non-deductible expenses	167	145
Adjustment in respect of prior periods	(438)	(129)
Gains/rollover relief etc	-	2,355
Change in deferred tax rate	(13)	(7)
Total tax expense included in profit or loss	12	2,503

UK corporation rate of 19% (effective 1 April 2021) was subsequently enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future tax charge accordingly. The deferred tax asset / (liability) at 30 September 2020 has been calculated at 19% (2019 19%). A further increase to 25% (effective 1st April 2023) was enacted on 3rd March 2021. This will increase the company's future tax charge accordingly.

Notes (continued)

8 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 October 2020	698	3,407	4,141	8,246
Additions	-	76	43	119
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2021	698	3,483	4,184	8,365
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
Balance at 1 October 2020	398	2,940	3,650	6,988
Depreciation charge for the year	23	120	60	203
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2021	421	3,060	3,710	7,191
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2021	277	423	474	1,174
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2020	300	467	491	1,258
	<hr/>	<hr/>	<hr/>	<hr/>

9 Goodwill

	£000
Cost	
At 1 October 2020	7,308
Additions for the year	-
	<hr/>
At 30 September 2021	7,308
	<hr/>
Amortisation	
At 1 October 2020	1,128
Amortisation charge for the year	731
	<hr/>
At 30 September 2021	1,859
	<hr/>
Net Book Value	
At 1 October 2020	6,180
	<hr/>
At 30 September 2021	5,449
	<hr/>

Goodwill relates to trade and assets transactions in respect of K Controls (2018), Topworx (2020) and Aventics (2020).

All are being amortised over a period of 10 years.

Notes (continued)

10 Investments in subsidiaries

	Shares in group undertakings £000
Cost and net book value	
At 30 September 2021	-
At 30 September 2020	-

The Company has the following investments in subsidiaries:

	Registered office address	Class of shares held	Ownership 2021 %	Ownership 2020 %
Aventics UK Limited	2 Pit Hey Place Skelmersdale WN8 9PG	Ordinary	0%	100%

In the prior year, a dividend was received from Aventics UK Limited as full and final settlement of the investment. The company was subsequently dissolved on 30 March 2021.

11 Stocks

	2021 £000	2020 £000
Raw materials and consumables	776	539
Work in progress	8	15
Finished goods and goods for resale	485	611
	<u>1,269</u>	<u>1,165</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £13,957,797 (2020: £10,730,428). The write-down of stocks to net realisable value amounted to £98,965 (2020: £201,287).

Notes (continued)

12 Debtors

	2021 £000	2020 £000
Trade debtors	3,239	3,322
Amounts owed by group undertakings	19,592	16,331
Other debtors	10	36
Deferred tax assets (see note 15)	56	40
Corporation tax	-	25
Prepayments and accrued income	84	147
	<u>22,981</u>	<u>19,901</u>

Amounts owed by group undertakings are due on 30 day end of month terms and bear no interest.

13 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	-	-
	<u>-</u>	<u>-</u>

14 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	275	302
Amounts owed to group undertakings	1,765	984
Accruals and deferred income	950	639
Tax & social security	779	695
Corporation tax	1,366	1,700
	<u>5,135</u>	<u>4,320</u>

Amounts owed to group undertakings are due on 30 day end of month terms and bear no interest.

Notes (continued)

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	56	40	-	-	56	40
Other	-	-	-	-	-	-
	<u>56</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>40</u>
Total tax assets	56	40	-	-	56	40
						2021
						£000
At 1 October 2020						40
Charge to profit and loss (Note 7)						16
						<u>56</u>
At 30 September 2021						56

16 Share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
776,027 ordinary shares of £1 each	776	776
	<u>776</u>	<u>776</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	202	113
Between one and five years	180	97
More than five years	-	-
	<u>382</u>	<u>210</u>

During the year £227,484 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £195,077).

18 Commitments

Capital commitments

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £67,923 (2020: £81,802).

19 Contingencies

On the 29th April 2021 the company entered into a guarantee to HM Revenue and Customs and Excise in respect of duty deferment amounting to £200,000 (2020: £80,000). The increase in limits was due to changes in VAT protocols resulting from Brexit.

20 Employee benefits

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 Emerson Automation Fluid Control and Pneumatics UK Ltd section forms one of the defined benefit sections 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 31 March 2020. This valuation indicated that the market value of the Plan's assets represented a funding level at 31 March 2020 of 108% of the benefits that had accrued to members. The next actuarial valuation is expected to be carried out at 31 March 2023.

This was the fifth 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 as part of the valuation.

As the 31 March 2020 valuation of the Plan revealed a surplus, the participating employers are not required to pay any deficit contributions under the new Schedule of Contributions. Additionally, all expenses relating to the Plan, including operating expenses, statutory levies, accountancy, and audit fees, will be met from Plan assets until the completion of the next actuarial valuation, expected to be no later than 30 June 2024.

Notes (continued)

Employee benefits (continued)

Accordingly, the total combined participating employer contributions to the defined benefit sections of the Plan for the year ended 30 September 2021 was £0 (2020: £11,500,000).

As there is no contractual agreement or stated group policy for charging the UK GAAP net defined benefit cost of the plan to participating entities, the defined benefit cost of the pension plan and the net defined benefit liability are recognized by Emerson Holding Company Limited and Emerson Automation Solutions SSC UK Limited. The Company then recognizes a cost equal to its contribution payable for the period as if it was a defined contribution scheme. Under the new Schedule of Contributions, the participating employers, including the Company, are not required to pay any contributions to the Plan

The profit and loss charge in respect of the company's employer contributions to the Plan for the year amounted to £22,000 (2020: £22,000) and there were £nil contributions outstanding at the year-end (2020: £nil).

Details of the fair value of the Plan's assets as at 30 September 2020 and 30 September 2021, as reported by Emerson Holding Company Limited and Emerson Automation Solutions SSC UK Limited, are as follows:

Reported by Emerson Holding Company Limited

	2021 Fair value £000	2021 Fair value %	2020 Fair value £000	2020 Fair value %
Equities	228,634	35.6	274,966	44.5
Debt securities	391,410	60.9	320,072	51.8
Other	22,166	3.5	22,862	3.7
Total	642,210	100	617,900	100

Reported by Emerson Automation Solutions SSC UK Limited

	2021 Fair value £000	2021 Fair value %	2020 Fair value £000	2020 Fair value %
UK Equities	0	0.0	5,668	2.3
Overseas Equities	95,706	36.4	108,537	43.5
Corporate Bonds	42,056	16.1	43,327	17.3
Index-Linked Gilts	77,562	29.5	37,837	15.2
Fixed-Interest Gilts	44,226	16.8	51,654	20.7
Cash	1,992	0.8	1,293	0.5
Insured annuities	1,114	0.4	1,207	0.5
Total	262,656	100	249,523	100

Defined contribution section

The company's pension costs for the year in respect of the defined contribution section of the Plan amounted to £245,519 (2020 :£263,920). The contributions outstanding at the year-end amounted to £nil (2020 :£nil).

21 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Emerson Holding 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.

Notes *(continued)*

22 Related Party transactions

The company has taken advantage of the exemption available in accordance with FRS102 (33.1A) not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.