Emerson Automation Fluid Control & Pneumatics UK Ltd

Annual report and financial statements

Registered number 2861557

30 September 2022

Contents

Strategic report

Business review

During the year ended 30 September 2022 the Company had to deal with difficult trading conditions throughout Europe although the UK remained stable. Poor component supplies across the world resulted in deteriorating service to customers. This affected not only us, but also our competitors. Using the combined purchasing power of Emerson helped to minimise the impact and we were able to benefit from customers stockpiling product. As a company we were affected by increased costs, Energy, materials, labour, transport. etc. We have been able to partially pass on these costs by increasing our product prices.

During the year, the company made a dividend payment of £6.90 million *(2021: nil)*.

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 £2.15 million *(2021: £1.57 million)* and a turnover of £21.9 million *(2021: £20.7 million)*. The gross profit was £6.7 million *(2021: £5.6 million)* and the gross profit percentage was 31% *(2021: 27%)*. All of the actions taken in the year ended 30 September 2022 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 2022 were £22.5 million *(2021: £25.7 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

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 9% (2021: 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 continue. We are still pursuing software that will reduce tariffs. We are also preparing for the implementation of UKCA marking on 31st December 2024.

Strategic report (continued)

Russia / Covid

The issues caused by Covid and the Russian/Ukraine conflict continue to impact component supply and costs (especially electronic/PCB's). The issues are slowly improving, and we continue to use the purchasing power of Emerson to minimise issues.

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

June 22, 2023

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2022.

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 £6.9m interim dividends were paid in respect of the year ended 30 September 2022 *(2021: £nil)*.

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.

The company has employed 4 apprentices with the intention of safeguarding succession planning.

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

June 22, 2023

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.

KPMG

1 St Peter's 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 2022 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 of 30 September 2022 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

22 June 2023

Profit and loss account and other comprehensive income
for the year ended 30 September 2022

	Note	2022 £000	2021 £000
Turnover	2	**21,878**	20,660
Cost of sales		**(15,145)**	(15,076)
Gross profit		**6,733**	5,584
Administrative expenses		**(4,675)**	(4,022)
Operating profit	3,4	**2,058**	1,562
Other interest receivable and similar income	6	**95**	4
Profit before taxation		**2,153**	1,566
Tax on profit	7	**1,473**	(12)
Profit for the financial year		**3,626**	1,554

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 2022

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8	**1,100**		1,174	
Goodwill	9	**4,718**		5,449	
			5,818		6,623
Current assets					
Stocks	11	**1,249**		1,269	
Debtors	12	**21,413**		22,981	
Cash at bank and in hand	13	**-**		-	
		22,662		24,250	
Creditors: amounts falling due within one year	14	**(6,016)**		(5,135)	
Net current assets			**16,646**		19,115
Total assets less current liabilities			**22,464**		25,738
Net assets			**22,464**		25,738
Capital and reserves					
Called up share capital	16		**776**		776
Share premium account			**15,879**		15,879
Profit and loss account			**5,809**		9,083
Shareholders' funds			**22,464**		25,738

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

These financial statements were approved by the board of directors on 22 June 2023 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 2020	776	15,879	7,529	24,184
Total comprehensive income for the period				
Profit or loss	-	-	1,554	1,554
Balance at 30 September 2021	776	15,879	9,083	25,738
Balance at 1 October 2021	776	15,879	9,083	25,738
Total comprehensive income for the period				
Profit or loss	-	-	3,626	3,626
Total comprehensive income for the period	-	-	3,626	3,626
Transactions with owners recorded directly in equity				
Dividends paid (see note 10)	-	-	(6,900)	(6,900)
Total contributions by and distributions to owners	-	-	(6,900)	(6,900)
Balance at 30 September 2022	776	15,879	5,809	22,464

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 £16,646,000 as at 30 September 2022 and made a profit for the year then ended of £3,626,000. 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.

The forecasts are dependent on the Company's ability to access group's cash pooling facility, if required. Emerson Electric Co has indicated its intention to continue to make available such funds as are needed by the company. 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 is it 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:

	2022	2021
	£000	£000
By geographical market		
United Kingdom	**19,750**	18,174
Europe	**1,622**	2,255
USA	**109**	11
Australia and Far East	**194**	196
Middle East / Africa	**203**	24
	21,878	20,660

3 Expenses and auditor's remuneration

Included in profit are the following:

	2022	2021
	£000	£000
Depreciation on tangible fixed assets	**179**	203
Amortisation of Goodwill (K Controls / Topworx / Aventics)	**731**	731
Hire of plant and machinery / vehicles	**185**	227

Auditor's remuneration:

	2022	2021
	£000	£000
Audit of these financial statements	**99**	38
Other non-Audit Services	**1**	1

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	
	2022	2021
Production	**32**	30
Distribution and marketing	**35**	36
Administration	**6**	5
Services	**2**	2
Other	**10**	11
	85	84

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**3,303**	3,636
Social security costs	**358**	384
Contributions to defined contribution plans	**239**	246
	3,900	4,266

5 Directors' remuneration

	2022	2021
	£000	£000
Emoluments	**100**	107
Company contributions to money purchase pension plans	**7**	7

	Number of directors	
	2022	2021
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

	2022 £000	2021 £000
Interest receivable and similar income	**95**	4

7 Taxation

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

	2022 £000	2021 £000
Current tax		
Current tax on income for the period	**551**	465
Adjustments in respect of prior periods	**(2,040)**	(437)
Total current tax	**(1,489)**	28
Deferred tax		
Origination and reversal of timing differences	**12**	(3)
Effective changes in tax rates	**4**	(13)
Total tax	**(1,473)**	12

	2022 £000 Current tax	2022 £000 Deferred tax	2022 £000 Total tax	2021 £000 Current tax	2021 £000 Deferred tax	2021 £000 Total tax
Recognised in Profit and loss account	**(1,489)**	**16**	**(1,473)**	28	(16)	12
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	**(1,489)**	**16**	**(1,473)**	28	(16)	12

Notes *(continued)*

7 Taxation (continued)

Analysis of current tax recognised in profit and loss

	2022 £000	2021 £000
UK corporation tax	(1,473)	12
Total current tax recognised in profit and loss	(1,473)	12

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit for the year	3,626	1,554
Total tax expense	(1,473)	12
Profit excluding taxation	2,153	1,566
Tax using the UK corporation tax rate of 19.0%	409	296
Non-deductible expenses	156	167
Adjustment in respect of prior periods	(2,040)	(438)
Group relief etc	-	-
Income not taxable	(2)	-
Change in deferred tax rate	4	(13)
Total tax expense included in profit or loss	(1,473)	12

In the March 2021 Budget, it was announced that legislation would be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. This rate change was substantively enacted on 24 May 2021 and, as such, the impact of the rate change has been taken into consideration in measuring the closing deferred tax balances.

Notes *(continued)*

8 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 October 2021	698	3,483	4,184	8,365
Additions/transfers	-	84	57	141
Balance at 30 September 2022	698	3,567	4,241	8,506
Depreciation and impairment				
Balance at 1 October 2021	421	3,060	3,710	7,191
Depreciation charge for the year/transfers	16	142	57	215
Balance at 30 September 2022	437	3,202	3,767	7,406
Net book value				
At 30 September 2022	**261**	**365**	**474**	**1,100**
At 30 September 2021	277	423	474	1,174

9 Goodwill

	£000
Cost	
At 1 October 2021	7,308
Additions for the year	-
At 30 September 2022	7,308
Amortisation	
At 1 October 2021	1,859
Amortisation charge for the year	731
At 30 September 2022	2,590
Net Book Value	
At 1 October 2021	5,449
At 30 September 2022	**4,718**

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 Dividends

	2022 £000	2021 £000
Dividend Paid	6,900	-

11 Stocks

	2022 £000	2021 £000
Raw materials and consumables	720	776
Work in progress	-	8
Finished goods and goods for resale	529	485
	1,249	1,269

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £13,354,705 (2021: £13,957,797). The write-down of stocks to net realisable value amounted to £69,372 (2021: £98,965).

12 Debtors

	2022 £000	2021 £000
Trade debtors	3,880	3,239
Amounts owed by group undertakings	15,685	19,592
Other debtors	40	10
Deferred tax assets (see note 15)	40	56
Corporation tax	1,708	-
Prepayments and accrued income	60	84
	21,413	22,981

Amounts owed by group undertakings reflect intra group sales which are due on 30-day end of month terms and bear no interest. In addition, the cash pool arrangement is included in the above balance.

13 Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	-	-

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	562	275
Amounts owed to group undertakings	3,911	1,765
Accruals and deferred income	801	950
Tax & social security	742	779
Corporation tax	-	1,366
	6,016	5,135

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

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		*Liabilities*		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	40	56	-	-	40	56
Other	-	-	-	-	-	-
Total tax assets	40	56	-	-	40	56

	2022 £000
At 1 October 2021	56
Charge to profit and loss (Note 7)	(16)
At 30 September 2022	40

Notes *(continued)*

16 Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
776,027 ordinary shares of £1 each	**776**	776

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:

	2022 £000	2021 £000
Less than one year	**142**	202
Between one and five years	**105**	180
More than five years	**-**	-
	247	382

During the year £185,461 was recognised as an expense in the profit and loss account in respect of operating leases (*2021: £227,484*).

18 Commitments

Capital commitments

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £8,645 *(2021: £67,923)*.

19 Contingencies

On the 29th of April 2021 the company entered into a guarantee to HM Revenue and Customs and Excise in respect of duty deferment amounting to £400,000 (*2021: £200,000*).

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 2022 was nil (2021: nil).

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 £0 (2021: £22,000) and there were no contributions outstanding at the year-end (2021: nil).

Details of the fair value of the Plan's assets as at 30 September 2021 and 30 September 2022, as reported by Emerson Holding Company Limited and Emerson Automation Solutions SSC UK Limited, are as follows:

Reported by Emerson Holding Company Limited

	2022 Fair value £000	2022 Fair value %	2021 Fair value £000	2021 Fair value %
Equities	47,208	10.5	228,634	35.6
Debt securities	386,950	86.1	391,410	60.9
Other	15,518	3.5	22,166	3.5
Total	**449,676**	**100**	**642,210**	**100**

Reported by Emerson Automation Solutions SSC UK Limited

	2022 Fair value £000	2022 Fair value %	2021 Fair value £000	2021 Fair value %
Overseas Equities	18,865	10.5	95,706	36.4
Corporate Bonds	26,777	14.9	42,056	16.1
Index-Linked Gilts	78,212	43.5	77,562	29.5
Fixed-Interest Gilts	49,637	27.6	44,226	16.8
Cash	2,112	1.2	1,992	0.8
Insured annuities	4,089	2.3	1,114	0.4
Total	**179,692**	**100**	**262,656**	**100**

Defined contribution section

The company's pension costs for the year in respect of the defined contribution section of the Plan amounted to £239,182 (2021: £245,519). The contributions outstanding at the year-end amounted to nil (2021: 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.