

Festo Limited

Accounts for the year ended 31 December 2000
together with directors' and auditors' reports

Registered number: 926749



Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activity and business review

The principal activity of the company continues to be the import, manufacture and sale of control systems to industry. The majority of this equipment is purchased from Festo AG, a company under common ownership, registered in Germany.

Turnover for the year was £18,882,531 (1999: £17,395,745).

The directors expect the general level of activity to be maintained in 2001.

Results and dividends

The company made a profit after tax of £378,431 (1999: £105,205).

No dividends have been paid or are proposed (1999: £nil).

Directors and their interests

The directors who served during the year were as follows:

Dr. Wilfried Karl Stoll
Kurt Theodor Stoll
Michael Flaherty

The directors have no beneficial interests in the share capital of the company required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

Directors' report (continued)

Directors' responsibilities (continued)

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable donations

During the year the company donated £176 (1999: £552) to charities.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Automation House
Harvest Crescent
Ancells Business Park
Fleet
Hampshire
GU13 8XP

By order of the Board,



12.4.2001

J.W. Gilbey

Secretary

To the Shareholders of Festo Limited:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
RG1 3BD

12 April 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	2	18,882,531	17,395,745
Cost of sales		(8,970,263)	(7,827,609)
Gross profit		9,912,268	9,568,136
Other operating expenses (net)	3	(9,296,404)	(9,242,258)
Operating profit		615,864	325,878
Interest receivable and similar income	4	115,717	73,550
Interest payable and similar charges	5	(116,725)	(136,668)
Profit on ordinary activities before taxation	6	614,856	262,760
Tax charge on profit on ordinary activities	8	(236,425)	(157,555)
Profit for the financial year	15,16	378,431	105,205

All turnover and operating profit derive from continuing operations.

There are no recognised gains or losses in either year, other than the profit for that year.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	9	4,842,458	4,757,978
Current assets			
Stocks	10	909,384	1,333,287
Debtors	11	3,983,791	3,582,108
Cash at bank and in hand		2,247,325	2,122,225
		7,140,500	7,037,620
Creditors: Amounts falling due within one year	12	(5,397,770)	(5,603,663)
Net current assets		1,742,730	1,433,957
Total assets less current liabilities		6,585,188	6,191,935
Provisions for liabilities and charges	13	(158,920)	(144,098)
Net assets		6,426,268	6,047,837
Capital and reserves			
Called-up share capital	14	4,500,000	4,500,000
Profit and loss account	15	1,926,268	1,547,837
Equity shareholders' funds	16	6,426,268	6,047,837

The accounts on pages 4 to 14 were approved by the board of directors on *12th April 2001* and signed on its behalf by:

M. Flaherty

Director

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 2000

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

c) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and provisions for impairment. Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life at the following annual rates:

Freehold buildings	2½% from the time of occupation
Leasehold improvements	Over life of lease
Furniture and fittings	10-20%
Plant and equipment	10-20%
Motor vehicles	25%

Freehold land is not depreciated.

d) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase cost on a moving weighted average basis. Net realisable value is based on estimated normal selling price, less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

f) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

g) *Turnover*

Turnover comprises the value of sales provided in the normal course of business, net of trade discounts and VAT.

h) *Pension costs*

The company provides pensions to all employees through a funded pension scheme, the assets of which are held independently of the company by Friends' Provident Life Office. The scheme is of a defined contribution nature, and the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i) *Related party transactions*

Under Financial Reporting Standard No.8 the company is exempt from disclosing transactions with its fellow group companies.

j) *Cash flow statement*

Under the provisions of Financial Reporting Standard 1 (revised) the company has not prepared a cash flow statement because it is a wholly owned subsidiary of a parent undertaking whose consolidated financial statements, which include the accounts of the company, are publicly available (see note 18).

Notes to accounts (continued)

2 Segment information

All turnover originated in the UK and derived from the company's principal activity. Turnover by geographical destination is as follows:

	2000 £	1999 £
UK	18,710,752	16,971,002
Other countries	171,779	424,743
	<u>18,882,531</u>	<u>17,395,745</u>

3 Other operating expenses (net)

	2000 £	1999 £
Distribution costs	415,013	343,629
Selling and marketing costs	5,261,389	5,340,650
Administrative expenses	3,622,549	3,559,507
Other operating income	(2,547)	(1,528)
	<u>9,296,404</u>	<u>9,242,258</u>

4 Interest receivable and similar income

	2000 £	1999 £
On bank deposits	<u>115,717</u>	<u>73,550</u>

5 Interest payable and similar charges

	2000 £	1999 £
Interest on bank borrowings	<u>116,725</u>	<u>136,668</u>

Notes to accounts (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	2000 £	1999 £
(Gain)/loss on disposal of fixed assets	(2,274)	31,274
Depreciation on tangible fixed assets		
- owned	419,828	380,050
Operating lease rentals		
- motor vehicles	359,081	361,062
- property	42,049	57,546
- other	45,327	42,783
Foreign exchange loss	740,510	195,820
Auditors' remuneration		
- audit fees	30,000	30,000
- other	38,750	25,324
Staff costs (see note 7)	<u>5,564,495</u>	<u>5,456,192</u>

7 Staff costs

Particulars of employees (including executive directors) are shown below:

	2000 £	1999 £
Employee costs during the year amounted to:		
Wages and salaries	4,671,549	4,648,750
Social security costs	550,571	516,244
Other pension costs	342,375	291,198
	<u>5,564,495</u>	<u>5,456,192</u>

The average weekly number of persons employed by the company during the year was as follows:

	2000 Number	1999 Number
Production	16	17
Marketing	59	61
Sales	53	53
Administration	31	34
	<u>159</u>	<u>165</u>

Notes to accounts (continued)

7 Staff costs (continued)

Directors' remuneration

Directors' remuneration was paid in respect of one director of the company as follows:

	2000 £	1999 £
Emoluments as director	131,329	120,636
Company contributions to money purchase pension scheme	53,320	42,000
	<u>184,649</u>	<u>162,636</u>
	2000 Number	1999 Number
Number of directors who are members of company money purchase pension scheme	<u>1</u>	<u>1</u>

8 Tax on profit on ordinary activities

The tax charge (credit) is based on the profit for the year and comprises:

	2000 £	1999 £
Corporation tax	217,125	145,000
Underprovision (overprovision) in respect of prior periods	19,300	12,555
	<u>236,425</u>	<u>157,555</u>

Notes to accounts (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Furniture and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost						
Beginning of year	4,579,220	2,838	1,095,392	1,697,171	37,602	7,412,223
Additions	-	-	15,544	491,526	-	507,070
Disposals	-	-	-	(9,713)	-	(9,713)
End of year	<u>4,579,220</u>	<u>2,838</u>	<u>1,110,936</u>	<u>2,178,984</u>	<u>37,602</u>	<u>7,909,580</u>
Depreciation						
Beginning of year	386,681	2,834	926,901	1,319,029	18,800	2,654,245
Charge	76,230	-	87,378	246,820	9,400	419,828
Disposals	-	-	-	(6,951)	-	(6,951)
End of year	<u>462,911</u>	<u>2,834</u>	<u>1,014,279</u>	<u>1,558,898</u>	<u>28,200</u>	<u>3,067,122</u>
Net book value						
Beginning of year	<u>4,192,539</u>	<u>4</u>	<u>168,491</u>	<u>378,142</u>	<u>18,802</u>	<u>4,757,978</u>
End of year	<u>4,116,309</u>	<u>4</u>	<u>96,657</u>	<u>620,086</u>	<u>9,402</u>	<u>4,842,458</u>

Freehold land amounting to £1,530,000 (1999: £1,530,000) has not been depreciated.

10 Stocks

	2000 £	1999 £
Finished goods and goods for resale	830,222	1,225,813
Work in progress	<u>79,162</u>	<u>107,474</u>
	<u>909,384</u>	<u>1,333,287</u>

11 Debtors

	2000 £	1999 £
Trade debtors	3,598,178	3,074,731
Amounts owed by other group undertakings	105,349	206,260
Other debtors	100,321	102,833
UK corporation tax recoverable	2,490	30,715
Prepayments	<u>177,453</u>	<u>167,569</u>
	<u>3,983,791</u>	<u>3,582,108</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	2000 £	1999 £
Bank loan	1,250,000	1,500,000
Trade creditors	491,194	324,073
Amounts owed to group undertakings	2,047,269	2,116,386
Other creditors		
- VAT	443,060	388,198
- Social security and PAYE	170,319	188,423
Accruals	995,928	1,086,583
	<u>5,397,770</u>	<u>5,603,663</u>

13 Provisions for liabilities and charges

	2000 £	1999 £
Provision for warranties	75,584	73,484
Other	83,336	70,614
	<u>158,920</u>	<u>144,098</u>

A deferred tax asset amounting to £119,947 (1999: £142,729) has not been recognised. The deferred tax asset arises mainly due to timing differences between depreciation and capital allowances.

The movement in provisions for liabilities and charges comprises:

	Warranties		Other	
	2000 £	1999 £	2000 £	1999 £
Beginning of year	73,484	70,000	70,614	70,614
Charged (released) to profit and loss account	77,684	76,968	22,722	-
Utilised in year	(75,584)	(73,484)	(10,000)	-
End of year	<u>75,584</u>	<u>73,484</u>	<u>83,336</u>	<u>70,614</u>

Notes to accounts (continued)

14 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
Equity: 1,000,000 (1999: 1,000,000) ordinary shares of £10 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
Equity: 450,000 (1999: 450,000) ordinary shares of £10 each	<u>4,500,000</u>	<u>4,500,000</u>

15 Reserves

The movement on the reserves during the year was as follows:

	2000 £	1999 £
Retained profit at beginning of year	1,547,837	1,442,632
Profit for the financial year	<u>378,431</u>	<u>105,205</u>
Retained profit at end of year	<u>1,926,268</u>	<u>1,547,837</u>

16 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	378,431	105,205
Opening shareholders' funds	<u>6,047,837</u>	<u>5,942,632</u>
Closing shareholders' funds	<u>6,426,268</u>	<u>6,047,837</u>

Notes to accounts (continued)

17 Guarantees and other financial commitments

Operating lease commitments

The minimum annual rentals under operating leases are as follows:

	Motor vehicles £	Property £	Office equipment £
2000			
Operating leases which expire:			
- within one year	95,986	17,690	9,613
- between one and five years	233,322	-	41,553
- after five years	-	67,950	-
	<u>329,308</u>	<u>85,640</u>	<u>51,166</u>
1999			
Operating leases which expire:			
- within one year	102,646	22,814	18,778
- between one and five years	212,913	-	15,509
- after five years	-	62,137	-
	<u>315,559</u>	<u>84,951</u>	<u>34,287</u>

18 Ultimate parent company

The company's ultimate parent company is Festo AG, which is incorporated in Germany.

Festo AG heads the largest and smallest group in which the results of Festo Limited are consolidated. The address of this parent company is Festo AG, Esslingen, Germany.