



ANDERSEN

Festo Limited

Accounts for the year ended 31 December 2001
together with directors' and auditors' reports

Registered number: 926749



Directors' report

For the year ended 31 December 2001

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 2001.

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, the ultimate parent company, registered in Germany.

Turnover for the year was £18,534,102 (2000: £18,882,531).

The directors expect the general level of activity to be maintained in 2002.

Results and dividends

The company made a profit after tax of £58,416 (2000: £378,431).

No dividends have been paid or are proposed (2000: £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.

Charitable donations

During the year the company donated £831 (2000: £176) 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
GU51 2XP

By order of the Board,



J.W. Gilbey
Secretary

5 April 2002

Statement of directors' responsibilities

31 December 2001

Financial statements, including adoption of going concern basis

Company law requires the directors to prepare financial statements for each financial year 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.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



To the Shareholders of Festo Limited:

We have audited the financial statements of Festo Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's 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
Berkshire
RG1 3BD

5 April 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1	18,534,102	18,882,531
Cost of sales		<u>(8,617,711)</u>	<u>(8,970,263)</u>
Gross profit		9,916,391	9,912,268
Other operating expenses (net)	2	<u>(9,781,627)</u>	<u>(9,296,404)</u>
Operating profit		134,764	615,864
Interest receivable and similar income	3	104,890	115,717
Interest payable and similar charges	4	<u>(64,084)</u>	<u>(116,725)</u>
Profit on ordinary activities before taxation	5	175,570	614,856
Tax charge on profit on ordinary activities	7	<u>(117,154)</u>	<u>(236,425)</u>
Profit for the financial year	14,15	<u>58,416</u>	<u>378,431</u>

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.

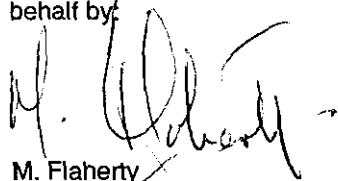
The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	<u>4,667,287</u>	<u>4,842,458</u>
Current assets			
Stocks	9	794,860	909,384
Debtors	10	3,845,118	3,983,791
Cash at bank and in hand		<u>1,897,406</u>	<u>2,247,325</u>
		6,537,384	7,140,500
Creditors: Amounts falling due within one year	11	<u>(4,552,026)</u>	<u>(5,397,770)</u>
Net current assets		<u>1,985,358</u>	<u>1,742,730</u>
Total assets less current liabilities		6,652,645	6,585,188
Provisions for liabilities and charges	12	<u>(167,961)</u>	<u>(158,920)</u>
Net assets		<u>6,484,684</u>	<u>6,426,268</u>
Capital and reserves			
Called-up share capital	13	4,500,000	4,500,000
Profit and loss account	14	<u>1,984,684</u>	<u>1,926,268</u>
Equity shareholders' funds	15	<u>6,484,684</u>	<u>6,426,268</u>

The accounts on pages 4 to 14 were approved by the board of directors on behalf by:

and signed on its


M. Flaherty

X Director

5th April 2002

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

Statement of accounting policies

31 December 2001

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.

Basis of accounting

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

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.

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.

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.

Statement of accounting policies (continued)

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.

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.

Turnover

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

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.

Related party transactions

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

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 17).

Notes to accounts

31 December 2001

1 Segment information

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

	2001 £	2000 £
UK	18,265,469	18,710,752
Other countries	268,633	171,779
	<u>18,534,102</u>	<u>18,882,531</u>

2 Other operating expenses (net)

	2001 £	2000 £
Distribution costs	430,800	415,013
Selling and marketing costs	5,590,891	5,261,389
Administrative expenses	3,765,839	3,622,549
Other operating income	(5,903)	(2,547)
	<u>9,781,627</u>	<u>9,296,404</u>

3 Interest receivable and similar income

	2001 £	2000 £
On bank deposits	<u>104,890</u>	<u>115,717</u>

4 Interest payable and similar charges

	2001 £	2000 £
Interest on bank borrowings	<u>64,084</u>	<u>116,725</u>

Notes to accounts (continued)

5 Profit on ordinary activities before taxation

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

	2001 £	2000 £
(Gain) on disposal of fixed assets	(4,712)	(2,274)
Depreciation on tangible fixed assets		
- owned	361,611	419,828
Operating lease rentals		
- motor vehicles	436,899	359,081
- property	51,817	42,049
- other	52,707	45,327
Foreign exchange loss	346,260	740,510
Auditors' remuneration		
- audit fees	30,000	30,000
- other	27,262	38,750
Staff costs (see note 6)	<u>5,099,194</u>	<u>5,564,495</u>

6 Staff costs

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

	2001 £	2000 £
Employee costs during the year amounted to:		
Wages and salaries	4,223,222	4,671,549
Social security costs	532,085	550,571
Other pension costs	<u>343,887</u>	<u>342,375</u>
	<u>5,099,194</u>	<u>5,564,495</u>

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

	2001 Number	2000 Number
Production	14	16
Marketing	58	59
Sales	59	53
Administration	<u>32</u>	<u>31</u>
	<u>163</u>	<u>159</u>

Notes to accounts (continued)

6 Staff costs (continued)

Directors' remuneration

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

	2001 £	2000 £
Emoluments as director	176,603	131,329
Company contributions to money purchase pension scheme	51,687	53,320
	<u>228,290</u>	<u>184,649</u>
	2001 Number	2000 Number
Number of directors who are members of company money purchase pension scheme	<u>1</u>	<u>1</u>

7 Tax on profit on ordinary activities

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

	2001 £	2000 £
Corporation tax	110,003	217,125
Underprovision in respect of prior periods	7,151	19,300
	<u>117,154</u>	<u>236,425</u>

Notes to accounts (continued)

8 Tangible fixed assets

	Land and buildings £	Leasehold £	Furniture and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost						
Beginning of year	4,579,220	2,838	1,110,936	2,178,984	37,602	7,909,580
Additions	27,380	-	13,700	122,438	31,648	195,166
Disposals	-	-	-	(59,612)	(37,602)	(97,214)
End of year	<u>4,606,600</u>	<u>2,838</u>	<u>1,124,636</u>	<u>2,241,810</u>	<u>31,648</u>	<u>8,007,532</u>
Depreciation						
Beginning of year	462,911	2,834	1,014,279	1,558,898	28,200	3,067,122
Charge	76,572	-	57,796	218,586	8,657	361,611
Disposals	-	-	-	(55,587)	(32,901)	(88,488)
End of year	<u>539,483</u>	<u>2,834</u>	<u>1,072,075</u>	<u>1,721,897</u>	<u>3,956</u>	<u>3,340,245</u>
Net book value						
Beginning 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>
End of year	<u>4,067,117</u>	<u>4</u>	<u>52,561</u>	<u>519,913</u>	<u>27,692</u>	<u>4,667,287</u>

Freehold land amounting to £1,530,000 (2000: £1,530,000) has not been depreciated.

9 Stocks

	2001 £	2000 £
Finished goods and goods for resale	779,117	830,222
Work in progress	<u>15,743</u>	<u>79,162</u>
	<u>794,860</u>	<u>909,384</u>

10 Debtors

	2001 £	2000 £
Trade debtors	3,563,793	3,598,178
Amounts owed by other group undertakings	33,332	105,349
Other debtors	103,922	100,321
UK corporation tax recoverable	-	2,490
Prepayments	<u>144,071</u>	<u>177,453</u>
	<u>3,845,118</u>	<u>3,983,791</u>

Notes to accounts (continued)

11 Creditors: Amounts falling due within one year

	2001 £	2000 £
Bank loan	600,000	1,250,000
Trade creditors	536,465	491,194
Amounts owed to group undertakings	1,896,429	2,047,269
Other creditors	40,901	
- VAT	376,283	443,060
- Social security and PAYE	152,331	170,319
Accruals	949,617	995,928
	<u>4,552,026</u>	<u>5,397,770</u>

12 Provisions for liabilities and charges

	2001 £	2000 £
Provision for warranties	61,903	75,584
Property related provision	106,058	83,336
	<u>167,961</u>	<u>158,920</u>

A deferred tax asset amounting to £111,530 (2000: £119,947) 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	
	2001 £	2000 £	2001 £	2000 £
Beginning of year	75,584	73,484	83,336	70,614
Charged (released) to profit and loss account	-	77,684	22,722	22,722
Utilised in year	(13,681)	(75,584)	-	(10,000)
End of year	<u>61,903</u>	<u>75,584</u>	<u>106,058</u>	<u>83,336</u>

Notes to accounts (continued)

13 Called-up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity: 1,000,000 (2000: 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 (2000: 450,000) ordinary shares of £10 each	<u>4,500,000</u>	<u>4,500,000</u>

14 Reserves

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

	2001 £	2000 £
Retained profit at beginning of year	1,926,268	1,547,837
Profit for the financial year	<u>58,416</u>	<u>378,431</u>
Retained profit at end of year	<u>1,984,684</u>	<u>1,926,268</u>

15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	58,416	378,431
Opening shareholders' funds	<u>6,426,268</u>	<u>6,047,837</u>
Closing shareholders' funds	<u>6,484,684</u>	<u>6,426,268</u>

Notes to accounts (continued)

16 Guarantees and other financial commitments

Operating lease commitments

The minimum annual rentals under operating leases are as follows:

	Motor vehicles £	Property £	Office equipment £
2001			
Operating leases which expire:			
- within one year	157,869	17,690	15,159
- between one and five years	230,090	9,250	36,269
- after five years	-	67,950	-
	<u>387,959</u>	<u>94,890</u>	<u>51,428</u>
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>

17 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.