Company Registration No. 1725721

DURKOPP ADLER (UK) LIMITED

Report and Financial Statements

31 December 2000



Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Junge
Dr E Moller
M Richards

SECRETARY

C Crone (appointed 30.06.00)

REGISTERED OFFICE

Cottage Leap
Rugby
Warwichkshire
CV21 3XP

BANKERS

Lloyds TSB Bank plc
Charnwood House
Harcourt Way
Meridian Business Park
Leicester
LE3 2WP

SOLICITORS

Hodson & Lines
Glebe House
2 Clifton Road
Rugby
Warwickshire
CV21 3PX

AUDITORS

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the company in the year was the marketing and sale of industrial sewing machines, as the United Kingdom sales subsidiary of Durkopp Adler AG, Bielefeld, Germany.

Results

The company's turnover fell during the course of the year due to difficult trading conditions and resulted in a loss after taxation for the year of £138,743 (1999: 57,262). The directors anticipate an improved result in 2001.

Dividends

No dividend was paid or proposed in the year (1999: £nil).

Directors

The directors who served throughout the year or since appointment were as follows:

M Holder (resigned 30.06.00)
M Richards
Dr H Forberich (resigned 30.06.00)
Mr H Junge
Dr E Moller (appointed 01.09.00)
Dr H Schmeisser (appointed 30.06.00, resigned 31.07.00)

None of the directors have any interests in the shares of the company or any other group company registered in the United Kingdom.

Donations

Charitable donations of £240 (1999: £486) were made during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Deloitte & Touche , who were appointed to fill a casual vacancy as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board

M. Richards

M Richards

Director

Cottage Leap
Rugby
Warwickshire
CV21 3XP

February 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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Deloitte & Touche

AUDITORS' REPORT TO THE MEMBERS OF DURKOPP ADLER (UK) LIMITED

We have audited the financial statements of pages 5 to 12, which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, the directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion based on our audit on those statements and to report our opinion to you.

Basis of audit 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 company's circumstances, 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 the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors

19 March 2001

Deloitte Touche Tohmatsu

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER – continuing operations	2	2,510,932	3,550,081
Cost of sales		(1,667,416)	(2,509,913)
GROSS PROFIT		843,516	1,040,168
Administrative expenses		(976,508)	(1,090,505)
OPERATING LOSS – continuing operations	3	(132,992)	(50,337)
Interest receivable and similar income	5	1,954	308
Interest payable and similar charges	6	(7,705)	(30,504)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(138,743)	(80,533)
Tax on loss on ordinary activities	7	-	23,271
LOSS ON ORDINARY ACTIVITES AFTER TAXATION		(138,743)	(57,262)
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(138,743)	(57,262)

There are no recognised gains or losses for the current and preceding financial years other than as stated above. Accordingly a statement of total recognised gains and losses has not been prepared.

BALANCE SHEET
As at 31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	93,349	133,315
CURRENT ASSETS			
Stocks	9	629,970	747,075
Debtors	10	561,186	774,904
Cash at bank and in hand		1,139	1,027
		1,192,295	1,523,006
CREDITORS: amounts falling due within one year	11	(585,261)	(809,195)
NET CURRENT ASSETS		607,034	713,811
TOTAL ASSETS LESS CURRENT LIABILITIES		700,383	847,126
PROVISIONS FOR LIABILITIES AND CHARGES	12	-	(8,000)
NET ASSETS		700,383	839,126
CAPITAL AND RESERVES			
Called up share capital	13	500,000	500,000
Profit and loss account	14	200,383	339,126
EQUITY SHAREHOLDERS' FUNDS	15	700,383	839,126

These financial statements were approved by the board of directors on 28 February 2001 and were signed on its behalf by:

M Richards

M Richards
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICES

The financial statements are prepared in accordance with applicable accounting statements. The particular accounting policies adopted are described below.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of goods and services to third party customers during the year.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, in equal annual instalments over their estimated useful lives as follows:

Leasehold property	- 10 years
Plant and machinery	- between 1 and 20 years

Stocks

Stocks are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving stocks.

Net realisable value is the estimated selling price less all costs to be incurred in bringing items into a saleable condition.

Deferred taxation

Deferred taxation is provided on the timing differences arising from the different treatment of items for accounting and taxation purposes which are expected to reverse in the future, calculated at the rate at which it is expected the tax will arise.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Translation differences arising at the balance sheet date are dealt with in the profit and loss account.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company's employees are eligible for membership of the FAG Pension Fund, which is a self administered pension scheme providing benefits based upon final pensionable earnings. The scheme is set up under trust and its assets are therefore held separately from those of the group companies. Details of the scheme are set out in the accounts of FAG (UK) Limited.

The company also operates a money purchase pension scheme for a director of the company. Contributions to the scheme are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2000

2. TURNOVER

Turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year.

An analysis of turnover by geographical market is given below:

	2000 £	1999 £
United Kingdom	2,449,517	3,389,046
Europe	51,854	141,535
United States of America	-	19,500
Asia	9,561	-
	2,510,932	3,550,081

3. OPERATING LOSS

	2000 £	1999 £
This is stated after charging:		
Depreciation	43,542	36,996
Rentals under operating leases:		
- Hire of plant and machinery	79,298	84,646
- Other operating leases	44,274	43,131
Auditors' remuneration in respect of:		
- Audit work	2,100	3,500
- Other services	1,500	1,350

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' remuneration:		
Emoluments	113,863	157,848
Pension contributions	10,009	10,720
Compensation for termination of employment	47,490	-
	Number of directors	
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
Money purchase pension scheme	1	1

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2000

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The average number of person employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2000	1999
Sales and distribution	14	16
Administration	3	4
	17	20

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	457,500	492,032
Social security costs	41,433	50,252
Other pension costs	16,295	17,999
	515,228	560,283

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000	1999
	£	£
Bank interest received	206	308
Group loan interest	1,748	-
	1,954	308

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Bank interest payable	6,829	18,130
Group loan interest	876	12,374
	7,705	30,504

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2000	1999
	£	£
Corporation tax based upon the loss for the year:		
- current year at 30% (1999 : 30%)	-	(21,268)
- prior year	-	(2,003)
	-	(23,271)

No taxation charge arises in view of the loss for the year.

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2000

8. TANGIBLE FIXED ASSETS

	Short leasehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2000	48,887	165,730	214,617
Additions	422	3,432	3,854
Disposals	-	(3,081)	(3,081)
At 31 December 2000	49,309	166,081	215,390
Deprecation			
At 1 January 2000	8,555	72,747	81,302
Charge for the year	4,921	38,621	43,542
Disposals	-	(2,803)	(2,803)
At 31 December 2000	13,476	108,565	122,041
Net book value			
At 31 December 2000	35,833	57,516	93,349
At 31 December 1999	40,332	92,983	133,315

9. STOCKS

	2000 £	1999 £
Goods for resale	629,970	747,075

10. DEBTORS

	2000 £	1999 £
Trade debtors	519,055	724,487
Amounts owed by group undertakings	2,283	613
Corporation tax	21,268	21,268
Other debtors	2,775	4,572
Prepayments and accrued income	15,805	23,964
	561,186	774,904

All amounts are due within one year.

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2000

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft	224,503	232,340
Trade creditors	79,288	71,782
Amounts owed to group undertakings	182,757	384,877
Taxation and social security	91,450	92,241
Other creditors	2,878	20,963
Accruals and deferred income	4,385	6,992
	585,261	809,195

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2000 £	1999 £
Warranty provisions	-	8,000

	2000 £
Provision at 1 January 2000	8,000
Released to profit and loss account	(8,000)
Provision at 31 December 2000	-

Deferred taxation

There were no unprovided deferred tax liabilities at 31 December 2000 (1999: £nil). No provision has been made for the deferred tax asset of £52,651 (1999: £16,598) in either the current or prior year on grounds of prudence.

13. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid:		
500,000 ordinary shares of £1 each	500,000	500,000

14. PROFIT AND LOSS ACCOUNT

	2000 £	1999 £
At 1 January 2000	339,126	396,388
Retained loss for the year	(138,743)	(57,262)
At 31 December 2000	200,383	339,126

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2000

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss on ordinary activities after taxation and net reduction in shareholders' funds	(138,743)	(57,262)
Opening shareholders' funds	839,126	896,388
Closing shareholders' funds	700,383	839,126

16. LEASE COMMITMENTS

The company has entered into the following non-cancellable leases in respect of property and plant and machinery.

The minimum annual rentals under the leases are as follows:

	2000 £	1999 £
Property expiring:		
Within one year	3,621	2,308
Within two or five years	-	2,940
Over five years	32,000	32,000
	35,621	37,248
Motor vehicles and sundry equipment expiring:		
Within one year	19,133	13,293
Within two or five years	34,675	47,905
Over five years	-	-
	53,808	61,198

18. ULTIMATE CONTROLLING PARTY

The ultimate holding company and controlling party is FAG Kugelfischer Georg Schafer AG, a company registered in Germany. Copies of the group financial statements may be obtained from FAG Kugelfischer, Postfach 1260, 97419 Schweinfurt, Germany.

19. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8 "Related Party Transactions", transactions with other group undertakings within the FAG Kugelfischer Group have not been disclosed in these financial statements.