Company Registration No. 1725721

DURKOPP ADLER (UK) LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche
Chartered Accountants and Registered Auditors
Southampton



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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Junge
M Richards

SECRETARY

C Crone

REGISTERED OFFICE

Cottage Leap
Rugby
Warwickshire
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
Chartered Accountants and Registered Auditors
Southampton

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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

On 30 April 2002, the company ceased trading on a day by day basis. The parts inventory and certain fixed assets were sold. The machine inventory was sold back to Durkopp Alder AG. The majority of the personnel were transferred to the newly appointed UK agent, Geoffrey E Macpherson Ltd. The trading loss for the year was £295,862 (2001: profit £32,989).

Dividends

No dividend was paid or proposed in the year (2001: £nil).

Directors

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

M Richards
H Junge

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 £65 (2001: £110) were made during the year.

Auditors

A resolution for the re-appointment of Deloitte & Touche 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

1st March 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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 are also responsible 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.

Deloitte
& Touche

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

We have audited the financial statements of Durkopp Adler (UK) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibilty 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 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 at 31 December 2002 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
Southampton

10 March 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER – discontinued operations	2	612,548	2,147,458
Cost of sales		(441,494)	(1,409,164)
GROSS PROFIT		171,054	738,294
Administrative expenses		(469,016)	(701,731)
OPERATING (LOSS)/PROFIT – discontinued operations	3	(297,962)	36,563
Interest receivable and similar income	5	2,409	1,297
Interest payable and similar charges	6	(309)	(5,134)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(295,862)	32,726
Tax on (loss)/profit on ordinary activities	7	-	263
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	14	(295,862)	32,989

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 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	-	57,909
CURRENT ASSETS			
Stocks	9	-	467,277
Debtors	10	456,438	333,621
Cash at bank and in hand		61,788	27,962
		518,226	828,860
CREDITORS: amounts falling due within one year	11	(80,716)	(153,397)
NET CURRENT ASSETS		437,510	675,463
TOTAL ASSETS LESS CURRENT LIABILITIES		437,510	733,372
CAPITAL AND RESERVES			
Called up share capital	13	500,000	500,000
Profit and loss account	14	(62,490)	233,372
EQUITY SHAREHOLDERS' FUNDS	15	437,510	733,372

These financial statements were approved by the board of directors on 1st March 2003 and were signed on its behalf by:

M. Richards.

M Richards
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment. 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. Provision is made for obsolete, slow-moving or defective items where appropriate.

Deferred taxation

Deferred taxation is provided in full on the timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

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 2002

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:

	2002 £	2001 £
United Kingdom	600,695	2,002,508
Europe	8,775	113,051
Africa	325	9,299
Asia	2,753	22,600
	612,548	2,147,458

3. OPERATING (LOSS)/PROFIT

	2002 £	2001 £
This is stated after charging:		
Depreciation	11,802	42,865
Loss on sale of fixed assets	19,142	-
Rentals under operating leases:		
- Hire of plant and machinery	41,058	60,399
- Other operating leases	70,291	36,526
Auditors' remuneration in respect of:		
- Audit work	1,960	2,400
- Other services	2,900	4,850

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' remuneration:		
Emoluments	23,939	82,529
Pension contributions	3,615	8,676
Compensation for termination of employment	64,856	-
	92,410	91,205

	Number of directors	
Retirement benefits are accruing to the following number of directors under:		
Money purchase pension scheme	1	1

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

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

	Number of employees 2002	2001
Sales and distribution	4	12
Administration	-	2
	4	14

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	187,277	331,646
Social security costs	14,573	34,226
Other pension costs	11,237	14,221
	213,087	380,093

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Interest on corporation tax	-	1,161
Interest on overdue debtor	478	-
Group loan interest	1,931	136
	2,409	1,297

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank interest	309	5,134

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Corporation tax refunded for prior years:	-	263

There is no tax charge for the year as the company has made losses. Although part of the loss has been surrendered, no receipt for that loss is due.

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

The tax assessed for the perod is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2001: 30%)

The differences are explained below:

	2002 %	2001 %
Standard tax rate for year as a percentage of profits	30	30
Expenses not deductible for tax purposes	(5)	18
Capital allowances in excess of depreciation	4	12
Utilisation of tax losses	-	(53)
Movement in short term timing differences	1	(8)
Losses surrendered to group companies for no charge	(28)	-
Prior period adjustments	(2)	1
	-	-

8. TANGIBLE FIXED ASSETS

	Short leasehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2002	49,309	163,987	213,296
Additions	-	1,016	1,016
Disposals	(49,309)	(165,003)	(214,312)
At 31 December 2002	-	-	-
Deprecation			
At 1 January 2002	18,396	136,991	155,387
Charge for the year	1,640	10,162	11,802
Disposals	(20,036)	(147,153)	(167,189)
At 31 December 2002	-	-	-
Net book value			
At 31 December 2002	-	-	-
At 31 December 2001	30,913	26,996	57,909

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

9. STOCKS

	2002 £	2001 £
Goods for resale	-	467,277

10. DEBTORS

	2002 £	2001 £
Trade debtors	285	259,639
Amounts owed by group undertakings	445,436	47,142
Other debtors	10,717	13,870
Prepayments and accrued income	-	12,970
	456,438	333,621

All amounts are due within one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	-	79,487
Amounts owed to group undertakings	-	1,457
Taxation and social security	583	66,071
Other creditors	-	1,615
Accruals and deferred income	80,133	4,767
	80,716	153,397

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted, called up and fully paid:		
500,000 ordinary shares of £1 each	500,000	500,000

13. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
At 1 January 2002	233,372	200,383
Retained (loss)/profit for the year	(295,862)	32,989
At 31 December 2002	(62,490)	233,372

NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
(Loss)/Profit on ordinary activities after taxation and net (reduction)/increase in shareholders' funds	(295,862)	32,989
Opening shareholders' funds	733,372	700,383
Closing shareholders' funds	437,510	733,372

15. 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:

	2002 £	2001 £
Property expiring:		
Within one year	-	926
Within two or five years	-	-
Over five years	32,000	32,000
	32,000	32,926
Motor vehicles and sundry equipment expiring:		
Within one year	-	8,776
Within two or five years	8,748	50,737
Over five years	-	-
	8,748	59,513

16. ULTIMATE CONTROLLING PARTY

The ultimate holding company and controlling party is INA Vermoegensverwaltungsgesellschaft mbH, a company incorporated in Germany. The immediate parent company is FAG Kugelfischer Georg Schafer AG, a company incorporated in Germany. This company has prepared group accounts which are available to the public. The financial statements of FAG Kugelfischer Georg Schafer AG are available from:

Amtsgericht
Registergericht
Ruefferstrasse 1
97421 Schweinfurt
Germany

17. RELATED PARTY TRANSACTIONS

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