

REVISED

Company Registration No. 00926749

**Festo Limited**

**Annual report and financial statements**

**31 December 2023**



**REPORT AND FINANCIAL STATEMENTS 2022**

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# **Festo Limited**

## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

Giampiero Bighiani  
Jorg Naumburger  
Dennis van Beers

### **SECRETARY**

Andrea Dawn Brown

### **REGISTERED OFFICE**

Applied Automation Centre  
Caswell Road  
Brackmills Industrial Estate  
Northampton  
England  
NN4 7PY  
United Kingdom

### **BANKERS**

National Westminster Bank  
100 High Street  
Brentford  
Middlesex  
TW8 8AY

Deutsche Bank AG  
Theodor-Heuss-Straße 3  
70174 Stuttgart  
Germany

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
3 Forbury Place  
23 Forbury Road  
Reading  
Berkshire  
RG1 3 JH

## **STRATEGIC REPORT**

The directors present their strategic report on the company for the year ended 31 December 2023.

The principal activity of the Company continues to be the import and sale of pneumatic/fluid power, electric as well as allied technology-based products, and the local manufacture and sale of control systems for industrial automation applications. In addition, Festo provides technical education hardware as well as training and consultancy services, across a wide range of areas and disciplines (specifically engineering based, as well as people and management development).

The majority of the base equipment sold directly to the market and used within the control systems division is Festo branded products, which in the main are purchased from Festo SE & Co. KG, registered in Germany.

### **Business Review**

Festo continues to trade mainly within the manufacturing and engineering sector in the UK.

Festo operates within this overall environment, more specifically in the pneumatic (i.e., motion control using air) sector of the fluid power market. Fluid power is the sector of engineering which incorporates both hydraulics motion control using oil and pneumatic products and technology. In recent years, Festo has responded to market needs by introducing a full range of electric automation systems with motion control capabilities that have helped Festo to successfully gain additional market share.

The overall Festo turnover for the current year was £45,794,733 (2022: £45,417,576) which represented a 0.8% increase.

The strategic vision for Festo Group continues to be that of sustainable profitable growth providing smart and intuitive solutions for the industrial automation market delivering tangible benefits for our customers. This strategy continued to support the acquisition of new customers during 2023. Festo applies innovative solutions both in our products as well as internally in running the business and as a result we have continued to win new customers and distributors despite challenging market conditions.

Looking forward, although the outlook for UK engineering and manufacturing sectors remains challenged the Directors are confident that Festo will continue to bring value to our customers irrespective of those factors and therefore our positive performance in market share acquisition will continue. Furthermore, the Festo group continues to invest in market leading digitalisation technology, helping our customers to be on the forefront of trends such as Industry 4.0 and smart factories that will drive the ongoing increase in value creation through technology that is expected by customers throughout the supply chain.

Internally, the Directors continue to encourage a very active involvement from all the Company's employees, in not only working closely with its customers, but also in proactively reviewing our processes to ensure that the Company continues to provide customer orientated services in an efficient and cost effective manner whilst fulfilling the needs of all stakeholders; our stakeholders being our customers, the Company and our employees.

Our sustained growth despite market uncertainties was achievable because of our committed and high performing teams. We continue to focus on the development of our employees to ensure everyone reaches their potential and that Festo Limited remains an employer of choice within our industry.

## **STRATEGIC REPORT (Continued)**

### **KEY PERFORMANCE INDICATORS**

The Directors consider that the key performance indicator (KPI) is the growth the Company achieves against the market, as measured by the BFPA. The goal is to increase our market share and be continuously challenging our direct competitors. Only provisional market growth figures have been published at the time of writing this report, however the indication is that Festo has out-performed the market by approximately 9.6 % in 2023, compared to an under-performance of 1.7% in 2022. The Directors consider this result to be very positive.

Other KPIs include revenue growth which was a 0.8% increase in 2023 (2022: increase of 7.3%). The directors consider this rate of growth to be adequate, given the challenging and highly competitive market conditions.

Overall, the Directors consider the Company's performance in these KPIs to be adequate given the challenging market conditions.

### **Principal Risks and Uncertainties**

The Company has identified one principal risk and area of uncertainty for the business.

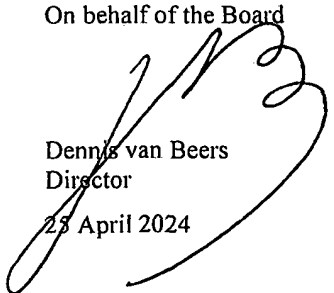
This risk is related to the continued delays in supply chain which has been experienced by many companies across the economy in both the United Kingdom and internationally. In both 2023 and 2022 Festo Limited encountered some impact along with many other businesses as a result of the pressure on supply chains globally. The risk identified here therefore mainly lies with the general impact on trade and goods movements that are likely to affect our customers' requests due to challenges in our supply chain as well as customers' trade itself and their supply chain more widely.

### **Corporate Social Responsibility**

The Directors and the Company are fully supportive of both corporate and individual activities that contribute to this important area of our business. Over recent years we have continued to expand our connections and support of young engineers through activities and support within universities, higher education and school establishments. Having established a close relationship with the government initiative of STEMNET network (science, technology, engineering and maths), we regularly hold open days for young people to understand more about engineering and the benefits of this as a future career path.. Additionally during the year the Corporate Social Responsibility workgroup continued to evaluate and propose carbon footprint reduction programmes for Festo Limited further confirming the Company's commitment to Corporate Social Responsibility.

Approved by the Board of Directors and signed

On behalf of the Board

  
Dennis van Beers  
Director

23 April 2024

## **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditors' report for the year ended 31 December 2023.

### **RESULTS AND DIVIDENDS**

The Company made a profit after tax for the year ended 31 December 2023 of £2,226,689 (2022: £1,712,930). During the year a dividend of £3,001,500 was proposed and paid. (2022: £3,001,500).

### **DIRECTORS**

The Directors who served during the year and up to the date of this report were as follows:

Giampiero Bighiani  
Jorg Naumburger  
Dennis van Beers

A qualifying third-party indemnity provision was in force for the benefit of the directors effective from January 01, 2024 and at the date of this report.

### **BRANCHES OUTSIDE THE UK**

The company does not have any branches outside the UK as defined in section 1046(3) of the Companies Act 2006.

### **FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Directors are aware of the need to review all aspects of risk and carry out a full and very detailed internal risk assessment analysis annually on all aspects of the business to identify risks which are likely to affect the financial stability of the Company.

The management of Festo Limited feels it vitally important to continue with the need to review operating procedures and processes of the Company. As part of this review, the Directors have revisited the risk analysis in light of preparing the Company to refocus on its medium term planning needs.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

#### **a) Exchange Risk**

Purchasing a significant value of products and services each year from outside the UK inevitably means that management must be mindful of the likely change and effect of changes in the major world currencies and in particular the Euro for Festo Limited. Management has sought to minimise this risk by reducing its exposure by natural hedges within the balance sheet. The parent company also undertakes to hedge major foreign currency variations through the purchase of exchange instruments at group level.

#### **b) Cash Flow Risk**

As a general policy the Directors aim to maintain a positive net cash flow result which will enable the Company to be flexible in developing its product and market development strategy. This positive cash status has been maintained during 2023 and into 2024.

**DIRECTORS' REPORT (Continued)**

**FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)**

**c) Credit Risk**

The principal financial assets of the Company are bank balances and cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts represented in the balance sheet are net of allowances for doubtful receivables; these allowances are made on the basis of knowledge and experience of the customer base and the current understanding of the status of these financial statements. The Company operates clearly defined policies and procedures regarding the handling and control of trade receivables, utilising internal and external processes to ensure that risks in this area are minimised.

**d) Liquidity Risk**

The existing level of monies held within current and deposit accounts in the Company's name mean that there is not currently a requirement for external financing, thereby minimising the risk in this area. It is not expected that this situation will change in the short-term.

**GOING CONCERN**

The development over the last five years of the business indicates a positive outlook for the future in hopefully improving economic conditions. The Company has a positive cash balance and at present has no requirement for external finance nor additional support from the wider Festo Group outside of the continuing trading relationship for the supply of product.

The supply chain situation, as referred to in the Principal Risks and Uncertainties section of the Strategic Report, has been considered in terms of its impact on the business outlook for the next twelve months. Taking into account the current strength of the Company, including strong cash position and expectations for growth on top of the strong 2023 results, the Directors believe that the Company continues to be well-placed to manage its business risks.

Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, we continue to adopt the going concern basis in preparing the annual report and financial statements.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made charitable donations during the period of £1,224 (2022: £1,572). The company made no political donations nor incurred any political expenditure during the period (2022: £nil).

**FUTURE DEVELOPMENTS**

The Directors of Festo Limited believe that their proactive sales activity and internal management will continue to provide favourable results compared to the overall market. Expectations are for growth in both the short and medium term and through to our planning horizon of 2024 and beyond.

**EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events since the balance sheet date until the date of this report.

Approved by the Board of Directors  
and signed on behalf of the Board

  
Dennis van Beers  
Director  
25 April 2024

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and financial statements and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

### **Directors' confirmations**


In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors' are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Dennis van Beers  
Director  
25 April 2024



# **Independent auditors' report to the members of Festo Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Festo Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2023; statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on

## **Independent auditors' report to the members of Festo Limited**

the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and the UK taxation regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to overstate revenue or hide the unauthorised extraction of cash, and the cut off risk in relation to the automatic recognition of revenue upon dispatch rather than delivery. Audit procedures performed by the engagement team included:

## Independent auditors' report to the members of Festo Limited

- Enquiries of management to identify any instances of non-compliance with laws and regulations or any instances of fraud (or suspected fraud);
- Reviewing meeting minutes for the Board meetings to determine if any known or suspected fraud or non-compliance with laws and regulations have been identified;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- Obtaining the proof of delivery for a sample of revenue transactions recorded either side of the financial year to determine whether revenue was recognised in the correct period; and
- Identifying and testing journal entries based on our risk assessment, in particular any journal entries with unusual account combinations (impacting cash and revenue) that represent a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*Ruth Ashman-Wutte*

Ruth Ashman-Wutte (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
25 April 2024

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2023**

	Note	2023 £	2022 £
Turnover	3	45,794,733	45,417,576
Cost of sales		(28,654,309)	(29,379,345)
<b>Gross profit</b>		<b>17,140,424</b>	<b>16,038,231</b>
Distribution expenses		(1,828,528)	(1,844,995)
Administration expenses		(12,312,081)	(11,920,345)
Other operating expense		(39,618)	(64,112)
<b>Operating profit</b>		<b>2,960,197</b>	<b>2,208,779</b>
Interest payable and similar expenses	4	(12,213)	(11,406)
<b>Profit before taxation</b>	5	<b>2,947,984</b>	<b>2,197,373</b>
Tax on profit	7	(721,295)	(484,443)
<b>TOTAL PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,226,689</b>	<b>1,712,930</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>2,226,689</b>	<b>1,712,930</b>

All results derive from continuing operations.

# Festo Limited

## BALANCE SHEET As at 31 December 2023

	Note	2023 £	2022 £
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>1,884,867</u>	<u>1,762,447</u>
<b>CURRENT ASSETS</b>			
Inventories	10	1,557,469	1,398,918
Debtors	11	7,360,552	5,649,708
Cash at bank and in hand		<u>3,430,654</u>	<u>3,678,795</u>
		12,348,675	10,727,421
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(7,649,656)</u>	<u>(5,164,108)</u>
<b>NET CURRENT ASSETS</b>		<u>4,699,019</u>	<u>5,563,313</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,583,886	7,325,760
Provisions for liabilities	13	<u>(230,341)</u>	<u>(197,404)</u>
<b>NET ASSETS</b>		<u>6,353,545</u>	<u>7,128,356</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	4,500,000	4,500,000
Retained Earnings	14	<u>1,853,545</u>	<u>2,628,356</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>6,353,545</u>	<u>7,128,356</u>

The notes on pages 13 to 24 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 25th April 2024

Signed on behalf of the Board of Directors

Dennis van Beers

Director

Company number: 00926749

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2023**

	<b>Called-up share capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
At 1 January 2022	4,500,000	3,916,926	8,416,926
Profit for the financial year and total comprehensive income	-	1,712,930	1,712,930
Dividends paid (note 8)	-	(3,001,500)	(3,001,500)
At 31 December 2022	4,500,000	2,628,356	7,128,356
Profit for the financial year and total comprehensive income	-	2,226,689	2,226,689
Dividends paid (note 8)	-	(3,001,500)	(3,001,500)
At 31 December 2023	<u>4,500,000</u>	<u>1,853,545</u>	<u>6,353,545</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies is set out below. All of the accounting policies have been applied consistently throughout the current and preceding year, unless otherwise stated.

**General information and basis of accounting**

Festo Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered office is in the United Kingdom. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements of Festo Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The functional currency of Festo Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Festo Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Festo SE&Co.KG, includes the company's cash flow in its own consolidated financial statements.
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- from disclosing related party transactions with entities within the wholly owned group.

**Going concern**

The development over the last five years of the business indicates a positive outlook for the future in hopefully improving economic conditions. The Company has a positive cash balance and at present has no requirement for external finance nor additional support from the wider Festo Group outside of the continuing trading relationship for the supply of product. The delays in supply chain situation, as referred to in the Principal Risks and Uncertainties section of the Strategic Report, has been considered in terms of its impact on the business outlook for the next twelve months. Considering the current strength of the Company, including strong cash position and expectations for growth on top of the strong 2023 results, the Directors believe that the Company continues to be well-placed to manage its business risks. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, we continue to adopt the going concern basis in preparing the annual report and financial statements.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing the balance sheet date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**1. ACCOUNTING POLICIES (Continued)**

**Impairment of assets**

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit or loss. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

**Tangible fixed assets and depreciation of property, plant and equipment**

Fixed assets are stated at cost less accumulated depreciation and provision 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:

Land and buildings	2.5%
Furniture and fittings	10.0-20.0%
Plant and equipment	10.0-20.0%

Freehold land is not depreciated. The asset's residual value and useful life are based on management's best estimates and are reviewed, and adjusted if required, at each Balance Sheet date.

**Leases**

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.

**Inventories**

Inventories and work-in-progress 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.

**Inventories provision**

The valuation of inventory requires management to estimate obsolete and excess inventory as well as inventory that is not of saleable quality. The estimate of future demand is compared to stock levels to determine the amount of obsolete or excess inventory. If the demand forecast for specific products is greater than actual demand, there may be a requirement to write off inventory, which would negatively impact the gross margin.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2023**

**1. ACCOUNTING POLICIES (Continued)**

**Turnover**

**Sale of goods**

Turnover comprises the value of sales provided in the normal course of business, net of trade discounts and VAT. Turnover is recognised on delivery of the goods from the relevant Festo warehouse. Where installation of goods is required to be performed by Festo, turnover is recognised on completion of the installation process.

**Sale of services**

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**Pension costs**

The amount charged to the profit and loss account in respect of pension costs are the contributions payable.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Financial instruments**

**i. Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**1. ACCOUNTING POLICIES (Continued)**

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**ii. Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Share capital**

Ordinary shares are classified as equity.

**Dividend distribution**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders.

**Cash and Cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023****2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION**

In the application of the Company's accounting policies, which are described in note 1, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. The Directors believe there are no critical accounting judgements having a material impact on the financial statements. There are no estimates which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**3. TURNOVER**

The geographical analysis of turnover by destination is as follows:

	2023 £	2022 £
UK	45,758,442	44,435,884
Other countries	36,291	981,692
	<u>45,794,733</u>	<u>45,417,576</u>

Turnover by category of revenue was as follows:

	2023 £	2022 £
Sale of products	45,626,478	45,120,472
Sale of training and consulting services	168,255	297,104
	<u>45,794,733</u>	<u>45,417,576</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

	2023 £	2022 £
<b>4. INTEREST PAYABLE AND SIMILAR EXPENSES</b>		
Bank charges	12,213	11,406
	<u>12,213</u>	<u>11,406</u>
<b>5. PROFIT BEFORE TAXATION</b>		
Profit before taxation is stated after charging/(crediting):		
	2023 £	2022 £
Loss on disposal of fixed assets	4	21,339
Depreciation of tangible fixed assets – owned (see note 9)	114,029	147,107
Movement in inventory provision	110,573	(18,738)
Operating lease rentals		
- plant and machinery	372,942	271,407
- other	99,033	77,066
Foreign exchange (gain)/ loss	(15,990)	215,289
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements (no services were provided pursuant to contingent fee arrangements):		
-total audit fees	78,015	61,004
	<u>78,015</u>	<u>61,004</u>

The directors have agreed with the company's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2023 will be limited to the greater of £5 million or 5 times the auditor's fees for the statutory audit, and that, in any event, the auditor's liability for damages will be limited to that part of any loss suffered by the company as is just and equitable having regard to the extent to which the auditor, the company and any third parties are responsible for the loss in question. The shareholders of the company waived the need for approval of this liability limitation agreement, as required by the Companies Act 2006, by a resolution dated 24 November 2023.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**6. STAFF COSTS**

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

	2023 £	2022 £
Employee costs during the year amounted to:		
Wages and salaries	6,195,744	6,201,484
Social security costs	692,340	724,599
Other pension costs	350,131	410,071
	<u>7,238,215</u>	<u>7,336,154</u>

The average monthly number of persons employed by the Company during the year was as follows:

	2023 Number	2022 Number
Production	9	12
Sales & Marketing	89	91
Administration	9	9
	<u>107</u>	<u>112</u>

**Directors' emoluments and highest paid Director**

Directors' remuneration paid in respect of one (2022: one) director that was paid by the Company was as shown below. The remaining two (2022: two) directors were remunerated through another group company:

	2023 £	2022 £
Emoluments as director	16,180	15,000
	<u>16,180</u>	<u>15,000</u>

Company contribution to money purchase pension scheme £Nil (2022: £Nil).

No directors (2022: none) were members of money purchase pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**7. TAX ON PROFIT**

The tax charge comprises:

	2023 £	2022 £
<b>Current tax</b>		
UK corporation tax	682,224	457,220
Adjustment in respect of prior periods	3,616	2,437
<b>Total current tax</b>	<u>685,840</u>	<u>459,657</u>
<b>Deferred tax</b>		
Movement in short-term timing differences	35,455	24,786
<b>Total deferred tax (see note 13)</b>	<u>35,455</u>	<u>24,786</u>
<b>Total tax on profit</b>	<u><u>721,295</u></u>	<u><u>484,443</u></u>

Tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2023 of 23.5% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit before taxation	2,947,984	2,197,373
Tax on profit before tax at the standard UK corporation tax rate of 23.5% (2022: 19.00%)	692,776	417,501
Effects of:		
- Expenses (deductible)/ not deductible for tax purposes	(10,552)	39,719
- Movement in short-term timing differences	35,455	24,786
- Adjustment in respect of prior periods	3,616	2,437
<b>Total tax for the year</b>	<u><u>721,295</u></u>	<u><u>484,443</u></u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%

# Festo Limited

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2023

### 8. DIVIDENDS

	2023 £	2022 £
Dividend of £6.67 per share (2022: £6.67 per share)	<u>3,001,500</u>	<u>3,001,500</u>

No final dividend was recommended (2022: None).

### 9. TANGIBLE FIXED ASSETS

	Land and buildings £	Furniture and fittings £	Plant and equipment £	Total £
<b>Cost</b>				
At 1 January 2023	2,884,877	601,748	554,079	4,040,704
Additions	-	117,120	119,333	236,453
Disposals	-	(5,914)	-	(5,914)
At 31 December 2023	<u>2,884,877</u>	<u>712,954</u>	<u>673,412</u>	<u>4,271,243</u>
<b>Accumulated depreciation</b>				
At 1 January 2023	1,269,040	589,366	419,851	2,278,257
Charge for the year	49,622	17,281	47,126	114,029
Disposals	-	(5,910)	-	(5,910)
At 31 December 2023	<u>1,318,662</u>	<u>600,737</u>	<u>466,977</u>	<u>2,386,376</u>
<b>Net book value</b>				
At 31 December 2023	<u>1,566,215</u>	<u>112,217</u>	<u>206,435</u>	<u>1,884,867</u>
At 31 December 2022	<u>1,615,837</u>	<u>12,382</u>	<u>134,228</u>	<u>1,762,447</u>

Freehold land amounting to £900,000 (2022: £900,000) has not been depreciated.

### 10. INVENTORIES

	2023 £	2022 £
Finished goods and goods for resale	919,079	468,560
Work-in-progress	638,390	930,358
	<u>1,557,469</u>	<u>1,398,918</u>

Inventory recognised as an expense is £28,654,309 (2022: £29,379,345). There is no material difference between the balance sheet value of inventory and its replacement cost. Inventories are stated after provisions for impairment of £161,190 (2022: £50,617)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**11. DEBTORS**

	2023 £	2022 £
Trade debtors	6,974,176	5,339,038
Amounts owed by other group undertakings	95,398	74,280
Other debtors	16,663	16,663
Prepayments and accrued income	274,315	219,727
	<u>7,360,552</u>	<u>5,649,708</u>

Trade debtors are stated after provisions for £111,802 (2022: £71,086). Amounts owed by other group undertakings includes £90,190 receivable from Festo SE & Co KG (2022: £55,284), which is a parent company of Festo Limited, with control over the Company. The remaining amount of £5,208 (2022: £18,996) is receivable from other related parties within the Festo group. The receivable amount does not include any interest, is unsecured and is fully receivable within one year.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2023 £	2022 £
Trade creditors	355,198	334,315
Amounts owed to group undertakings	2,417,630	1,802,334
Corporation tax	248,224	23,220
Other creditors		
- VAT	1,681,573	1,345,638
- Social security and PAYE	155,689	190,183
Accruals and deferred income	2,791,342	1,468,418
	<u>7,649,656</u>	<u>5,164,108</u>

Included within accruals and deferred income are outstanding pension contributions of £57,354 (2022: £58,133). The amount of £2,417,630 (2022: £1,802,234) is payable to several entities within the Festo group. All amounts payable amount do not include any interest, are unsecured and are fully repayable within one year. The amount includes £1,841,885 (2022: £387,215) payable to Festo SE & Co KG, which is a parent company of Festo Limited with control over the Company. The amount of £575,745 (2022: £1,415,019) is payable to other related parties within the Festo group.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**13. PROVISIONS FOR LIABILITIES**

	2023 £	2022 £
Provision for warranties	47,590	50,108
Property-related provision	1,200	1,200
Deferred taxation	181,551	146,096
	<u>230,341</u>	<u>197,404</u>

The provision for warranties relates to the Company's warranty obligations on the sale of its products. The Directors expect the costs associated with this provision to have been largely incurred by December 2024.

The property-related provision relates to amounts to be incurred on the future termination of certain leases held by the Company. The Directors expect the costs associated with this provision to be incurred within a year following the balance sheet date.

The movement in provisions for liabilities and charges comprises:

	Warranties £	Property £	Deferred taxation £
At 1 January 2023	50,108	1,200	146,096
(Released)/charged to statement of comprehensive income	(2,518)	0	35,455
	<u>47,590</u>	<u>1,200</u>	<u>181,551</u>

The deferred tax liability comprises the following:

**Deferred taxation**

	2023 £	2022 £
Accelerated capital allowances	189,008	153,505
Short-term timing differences	(7,457)	(7,409)
	<u>181,551</u>	<u>146,096</u>

There are no unused tax losses or unused tax credits. The net deferred tax liability expected to reverse in 2024 is £7,500. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

**14. CALLED-UP SHARE CAPITAL AND RESERVES**

	2023 £	2022 £
<b>Called-up, allotted and fully paid</b>		
Equity: 450,000 ordinary shares of £10 each	<u>4,500,000</u>	<u>4,500,000</u>

The Company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments. There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2023**

**15. FINANCIAL COMMITMENTS**

Total future minimum lease payments under non-cancellable operating leases are as following:

	2023 £	2022 £
Lease payments due not later than one year	399,310	298,215
Lease payments due later than one year and not later than five years	591,974	342,670
	<u>991,284</u>	<u>640,885</u>

The Company has given a guarantee in respect of HMRC customs duties and charges on importation of products which amount to £100,000 at 31 December 2023 (2022: £100,000). The guarantee is secured by a charge on the Company's cash balance.

**16. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events since the balance sheet date until the date of this report.

**17. ULTIMATE PARENT COMPANY & CONTROLLING PARTY**

The Company's immediate parent company is Festo International Holding GmbH whose registered address is Ruiter Strasse 82 Esslingen, 73734, Germany. The ultimate parent company and controlling party is Festo Beteiligungen GmbH & Co. KG, which heads the smallest and the largest group in which the results of Festo Limited are consolidated and whose registered address is Ruiter Strasse 82 Esslingen, 73734, Germany. The consolidated financial statements of Festo Beteiligungen GmbH & Co. KG are published in the Bundesanzeiger (German Federal Gazette) or are available to the public from Ruiter Strasse 82 Esslingen, 73734, Germany.