

**Registered number: 773331**

**NUMATIC INTERNATIONAL LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2007**



**STEWART & CO.  
CHARTERED ACCOUNTANTS  
Camberley**

**NUMATIC INTERNATIONAL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31st December 2007**

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**The following pages do not form part of the statutory accounts**

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**NUMATIC INTERNATIONAL LIMITED**

**COMPANY INFORMATION**

**31st December 2007**

INCORPORATED In England on 9th September 1963

NUMBER 773331

CHAIRMAN Mr C R Duncan

SECRETARY Mr S Whitlock

REGISTERED OFFICE Knoll House  
Knoll Road  
Camberley  
Surrey  
GU15 3SY

BANKERS Barclays Bank Plc  
King George Street  
Yeovil  
Somerset  
BA20 1PX

AUDITORS Stewart & Co  
Chartered Accountants  
Knoll House  
Knoll Road  
Camberley  
GU15 3SY

## NUMATIC INTERNATIONAL LIMITED

## DIRECTOR'S REPORT

31st December 2007

The sole director presents his report and the audited financial statements of the group and company for the year ended 31st December 2007

**Principal activity**

The principal activity of the group is that of manufacturers and distributors of cleaning equipment and there has been no change in this activity during the year. One of the subsidiary undertakings in the year was involved in the design and manufacture of furniture

**Results and dividends**

The results for the year are shown in the profit and loss account on page 7. The group's balance sheet as detailed on page 9 shows a satisfactory position, shareholders' funds amounting to £34,951,000. No dividends have been paid or proposed in the year.

**Business review**

Numatic International Limited are, without doubt, the major manufacturer of professional cleaning equipment in the country and the last, and only, remaining volume vacuum cleaner producer, with all other manufacturers having left these shores for, what they consider, as sunnier climes in manufacturing terms.

As we start 2008 we can look back on a satisfactory 2007 and remain optimistic with regard to the ongoing demand for our products.

We do, however, have a concern with regard to the almost unstoppable escalation in material costs being demanded by suppliers worldwide. Trying to control manufacturing costs is becoming more than a fulltime occupation. Now we are being told that the Chinese Government is subsidising oil by 50% it is no small wonder that we are all working with a material handicap which can only be addressed by a better and more reliable product with a truly western pedigree.

Although satisfied with our financial results for the year we genuinely do consider 2008 as a "treading water" exercise with a distinct possibility of increasing costs consuming the majority of increased sales benefits.

Employee relationships in the past year have been excellent assisted by our long term wage agreement. The establishment of the Work's Council continues to provide a useful communication tool which, together with continuous training and apprenticeship schemes, provides an improved level of corporate respect.

The UK manufacturing facility continues to benefit from the development of our overseas sales subsidiaries which, at this moment, exhibit a faster sales growth pattern than other parts of the group be it either at home or overseas.

A substantial range of new product developments will be shown internationally during the first half of 2008 and progress into production during the last quarter of the year. These products will make a positive contribution to the trading year of 2009 with development of 2010 product designs already appearing on the drawing board.

R&D is now a continuous and demanding activity but, equally, the life blood of tomorrow's business.

## NUMATIC INTERNATIONAL LIMITED

## DIRECTOR'S REPORT

(continued)

31st December 2007

During 2008 we plan to start on the construction of a further 5,000 sq m additional production/warehouse capacity at our Chard operational headquarters. This additional capacity is designed to coincide with new product requirements during 2009/2010.

Trading relationships with our major suppliers are healthy and of the utmost importance with in excess of 100 receiving our annual Approved Suppliers Award (which has now been running for 10 years) meeting our quality and reliability standards.

Payment terms are adhered to in accordance with the negotiated arrangements and add to the sound customer/supplier relationship.

We will continue to operate sales in the three major currencies of Pound Sterling, US Dollar and Euro in line with our requirements to balance purchasing obligations in the same currency denominations. We have been trading in Euros for some considerable time, both in terms of sales and purchasing, but for reasons of corporate clarity we would not favour conversion to full Euro accounting unless we become a fully fledged member of the EMU. At such a time we would favour the conversion of all of our operations into a single currency unit as and when possible.

**Fixed assets**

In the opinion of the director, there is no significant difference between the present market value of the group's properties and the amounts at which they are stated in the accounts. Details are set out in Note 8.

**Director**

The sole director of the company at the year end and his beneficial interest in the shares of the company as recorded in the register of directors' interests was as follows:

	31st December 2007 Ordinary Shares of £1 each	31st December 2006 Ordinary shares of £1 each
Mr C R Duncan	5,000,000	5,000,000

**Employees**

The group involves employees in the business in various ways. Regular meetings are held between managers and the Union Representatives of staff to discuss any issues arising and the Health and Safety Committee liaises with staff. Furthermore, wages are based on a productivity scheme, which involves disclosure to staff of sales performance.

It is the group's policy to consider applications for employment from disabled people on the same basis as other potential employees. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. If an employee becomes disabled during the period of employment the group will, if necessary and to the extent possible, retrain the employee for duties suited to that employee's abilities following disablement.

**NUMATIC INTERNATIONAL LIMITED**

**DIRECTOR'S REPORT**  
(continued)

**31st December 2007**

**Auditors**

Stewart & Co have agreed to offer themselves for re-appointment as auditors of the group and company

On behalf of the board



Mr S Whitlock  
Secretary

Knoll House  
Knoll Road  
Camberley  
Surrey  
GU15 3SY

1<sup>st</sup> August 2008

**NUMATIC INTERNATIONAL LIMITED**

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP)

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business


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

So far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware and the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The company's owner has the power to amend the financial statements after issue.

1<sup>st</sup> August 2008

On behalf of the board



C.R. Duncan  
Chairman

**NUMATIC INTERNATIONAL LIMITED**  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF NUMATIC INTERNATIONAL LIMITED**

We have audited the financial statements of Numatic International Limited on pages 7 to 29 for the year ended 31st December 2007. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility 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 the 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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 director's 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 director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the state of affairs as at the end of the financial year and of the profit for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company,
- the financial statements have been prepared in accordance with the Companies Act 1985, and
- the information given in the director's report is consistent with the financial statements.

**Stewart & Co.**  
**Chartered Accountants**  
**Registered Auditor**



Dated 1<sup>st</sup> August 2008

Knoll House  
Knoll Road  
Camberley  
Surrey GU15 3SY



**NUMATIC INTERNATIONAL LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the year ended 31st December 2007**

		<b>2007</b>		<b>2006</b>	
		<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	2	85,227	-	79,059	5,577
Cost of sales		(57,159)	-	(54,467)	(3,525)
<b>Gross profit</b>		<u>28,068</u>	<u>-</u>	<u>24,592</u>	<u>2,052</u>
Interest received		46	-	36	-
Rent received		16	-	-	-
<b>Net operating expenses</b>					
Distribution costs		(2,227)	-	(1,982)	(178)
Administrative expenses		(20,406)	-	(19,014)	(2,762)
<b>Operating profit</b>	3	<u>5,497</u>	<u>-</u>	<u>3,632</u>	<u>(888)</u>
Interest payable	5	(271)	-	(140)	(87)
Loss on disposal of subsidiary		-	-	-	(324)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>5,226</u>	<u>-</u>	<u>3,492</u>	<u>(1,299)</u>
Taxation	6	(798)	-	(1,364)	310
<b>Profit/(loss) on ordinary activities after taxation and retained for the year</b>	17	<u><u>4,428</u></u>	<u><u>-</u></u>	<u><u>2,128</u></u>	<u><u>(989)</u></u>

The interest payable and tax attributed to the discontinued operation represent the actual amounts paid by the former subsidiary

Movements on reserves during the year are shown in Note 17

## NUMATIC INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31st December 2007

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £'000	2006 £'000
<b>Profit for the financial year on continuing operations</b>	4,428	2,128
<b>Loss for the financial year on discontinued operations</b>	-	(989)
Foreign currency translation differences	383	(255)
Total recognised gains relating to the year	4,811	884
Total actuarial loss recognised in STRGL	2,171	845
Deferred tax on actuarial loss at 30%	(651)	(254)
<b>Total profits recognised since last report</b>	<b>6,331</b>	<b>1,475</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
<b>Profit for the financial year on continuing operations</b>	4,428	2,128
<b>Loss for the financial year on discontinued operations</b>	-	(989)
Exchange difference on foreign translation	383	(255)
Total actuarial gain/(loss) under FRS17	2,171	845
Deferred tax on actuarial (gain)/loss at 30%	(651)	(254)
	6,331	1,475
<b>Net increase in shareholders' funds</b>	6331	1,475
Opening shareholders' funds	28,620	27,145
<b>Closing shareholders' funds (equity interests)</b>	<b>34,951</b>	<b>28,620</b>

## NUMATIC INTERNATIONAL LIMITED

## CONSOLIDATED BALANCE SHEET

at 31st December 2007

		2007		2006	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	7		214		235
Tangible assets	8		25,324		24,740
			<u>25,538</u>		<u>24,975</u>
<b>Current assets</b>					
Stock and work in progress	10	12,334		12,391	
Debtors	11	14,239		11,771	
Cash at bank and in hand		1,571		1,659	
		<u>28,144</u>		<u>25,821</u>	
<b>Creditors: amounts falling due within one year</b>	12	(12,417)		(13,225)	
<b>Net current assets</b>			<u>15,727</u>		<u>12,596</u>
<b>Total assets less current liabilities</b>			<u>41,265</u>		<u>37,571</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(2,717)		(2,561)
<b>Provisions for liabilities and charges</b>	15		(3,597)		(6,390)
<b>Net Assets</b>			<u><u>34,951</u></u>		<u><u>28,620</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		5,000		5,000
Profit and loss account	17		29,951		23,620
<b>Total shareholders' funds</b>			<u><u>34,951</u></u>		<u><u>28,620</u></u>

The financial statements on pages 6 to 28 were authorised for issue, approved by the director and signed on 1<sup>st</sup> August 2008

C R Duncan  
Chairman



## NUMATIC INTERNATIONAL LIMITED

## COMPANY BALANCE SHEET

at 31st December 2007

		2007		2006	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	7		50		-
Tangible assets	8		20,995		20,713
Investment in subsidiaries	9		7,546		5,459
			<u>28,591</u>		<u>26,172</u>
<b>Current assets</b>					
Stock and work in progress	10	7,874		8,813	
Debtors	11	16,619		15,878	
Cash at bank and in hand		669		617	
		<u>25,162</u>		<u>25,308</u>	
<b>Creditors:</b> amounts falling due within one year	12	(10,514)		(11,538)	
<b>Net current assets</b>			<u>14,648</u>		<u>13,770</u>
<b>Total assets less current liabilities</b>			<u>43,239</u>		<u>39,942</u>
<b>Creditors:</b> amounts falling due after more than one year	13		(1,322)		(1,217)
<b>Provisions for liabilities and charges</b>	15		(3,597)		(6,390)
			<u>38,320</u>		<u>32,335</u>
<b>Capital and reserves</b>					
Called up share capital	16		5,000		5,000
Profit and loss account	17		33,320		27,335
<b>Total shareholders' funds</b>			<u>38,320</u>		<u>32,335</u>

The financial statements on pages 6 to 28 were authorised for issue, approved by the director and signed on 1<sup>st</sup> August 2008

C R Duncan  
Chairman

**NUMATIC INTERNATIONAL LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31st December 2007**

	Note	2007 £'000	2006 £'000
<b>Net cash inflow from operating activities</b>	18	5,182	3,480
<b>Returns on investments and servicing of finance</b>			
Other interest paid		(271)	(227)
Interest received		46	36
<b>Taxation</b>			
Corporation tax paid		(711)	(1,042)
Overseas taxation		(120)	(117)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(52)	-
Purchase of tangible fixed assets		(2,404)	(4,713)
Sale of tangible fixed assets		149	67
		<u>          </u>	<u>          </u>
Net cash outflow from investing activity		(2,307)	(4,646)
<b>Financing</b>	18		
Net (repayment)/inflow of bank loan		<u>(440)</u>	<u>778</u>
Net cash (outflow)/inflow from financing		(440)	778
<b>Acquisitions and disposals</b>			
Sale of discontinued operation		-	300
Overdraft in discontinued operation		-	1,000
		<u>          </u>	<u>          </u>
Net cash inflow from acquisitions and disposals		-	1,300
<b>Increase/(Decrease) in cash</b>	18	<u>1,379</u>	<u>(438)</u>

**NUMATIC INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31st December 2007**

**1. Accounting policies**

The principal accounting policies of the group are as follows -

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

**Basis of consolidation**

The consolidated financial statements fully incorporate the financial statements of the company and all of its subsidiary undertakings

**Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the group's activities after deduction of any trade discounts, value added tax and the elimination of inter-company sales

**Goodwill**

Purchased goodwill is amortised over its useful economic life of 15 years (German subsidiary) and 5 years (Dutch subsidiary) respectively

**Depreciation**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows

Freehold land	no depreciation is charged
Freehold buildings	2% per annum straight line (France 15 years)
Leasehold land and buildings	straight line over period of lease
Plant, machinery and office equipment	on a straight line monthly basis over the first 6 years to 10% of original cost, thereafter its value in use is reassessed on an annual basis & 20% reducing balance basis (France over 5 and 10 years straight line)
Computer equipment	on a straight line monthly basis over the first 3 years to 10% of original cost, thereafter its value in use is reassessed on an annual basis (France between 3 and 5 years straight line) & 20%/25% reducing balance basis
Motor vehicles	20%- 33% per annum straight line
Software	straight line basis over 5 years
Tooling	on a straight line monthly basis over 4 to 10 years
Patents	Between 10 and 20 years straight line

**Leases**

Rentals paid under operating leases are charged to income as incurred

## NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31st December 2007**1. Accounting policies (continued)****Investments**

Investments held as fixed assets are stated at cost, provision is made for impairment where there is felt to be a permanent diminution in value of the underlying net assets

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on an average cost basis and in the case of work in progress and finished goods includes labour and attributable overheads based on normal levels of activity and state of completion. Net realisable value is based on estimated selling price less the estimated cost of disposal. Provision is made for unrealised profit included in group stock at the balance sheet date.

**Deferred taxation**

Full provision is made for deferred taxation on all timing differences, which have arisen but have not reversed at the balance sheet date. Deferred tax assets and liabilities are not discounted.

No deferred tax is recognised on the accumulated reserves of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

**Research and Development expenditure**

Research and development expenditure is written off as incurred.

**Foreign Currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in foreign currencies are restated at the exchange rate ruling as at the balance sheet date, any gain or loss being dealt with in the profit and loss account. Balance sheets and profit and loss accounts of foreign subsidiaries are translated at the rates ruling at the balance sheet date. Differences on translation arising from changes in the sterling value of overseas net assets due to subsequent variations in exchange rates are shown as a movement in reserves and in the statement of total recognised gains and losses. All differences are taken to the profit and loss account.

The company does not carry out any hedging transactions and operates foreign denomination bank accounts solely for administrative purposes in dealing with foreign receipts and payments.

**Pension schemes**

The parent undertaking operates a defined benefit pension scheme, the assets of which are held in a trustee administered fund. Contributions to this scheme are charged to the profit and loss account by spreading the cost of the benefits over the expected remaining working lives of the members.

The overseas subsidiary undertakings make contributions (where applicable) on behalf of their employees into private funds, contributions to these schemes are charged to the profit and loss account as they are incurred.

The parent undertaking also operates a defined contribution self-administered scheme for directors, contributions to this scheme are charged to the profit and loss account as they are incurred.

**2. Turnover**

The turnover for the year was derived from the group's principal activity. In the opinion of the director all geographical markets are supplied under similar terms conditions and prices, and the products supplied form one class of business. Inter group trading is eliminated on consolidation. The director considers that any further disclosure in terms of turnover analysis would be commercially sensitive and therefore prejudicial to the group.

**NUMATIC INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31st December 2007**

**3. Operating profit**

	<b>2007</b> £'000	<b>2006</b> £'000
Operating profit is stated after charging -		
Staff costs (Note 4)	24,542	25,601
Auditors' remuneration UK auditors	50	66
Auditors' remuneration for non-audit services	7	30
Auditors' remuneration overseas auditors	89	48
Research and development expenditure	750	567
Exchange (profit)	(514)	(4)
Operating leases and licences to occupy		
Plant and machinery	240	256
Motor vehicles	338	514
Land and buildings	128	244
	<u>2,059</u>	<u>1,894</u>
Depreciation of tangible fixed assets (Note 8) owned assets	<u>2,059</u>	<u>1,894</u>
(Profit)/loss on disposal of tangible fixed assets	<u>(11)</u>	<u>31</u>
Amortisation of intangible fixed assets (Note 7)	<u>95</u>	<u>121</u>

The audit fee for the company was £50,000 (2006 - £50,000)

**4. Directors and employees**

	<b>2007</b> £'000	<b>2006</b> £'000
<b>Staff costs including directors' emoluments</b>		
Wages and salaries	20,791	21,803
Social security costs	2,083	2,146
Pension costs	1,668	1,652
	<u>24,542</u>	<u>25,601</u>
<b>Directors</b>		
Emoluments and highest paid director	<u>868</u>	<u>1,031</u>
<b>Average monthly number employed including executive director(s)</b>	<b>Number</b>	<b>Number</b>
Production	613	719
Administration, selling and management	184	190
	<u>797</u>	<u>909</u>



## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 4. Directors and employees (continued)

**Pension costs**

The group operates a number of pension schemes for its employees

Defined benefit pension scheme (company only)

The parent undertaking operates a defined benefit pension scheme, the assets of which are held in a trustee administered fund. The assets of the scheme are held separately from those of the group in an independently administered fund.

Employees contribute 5% of salary with the balance of required contributions being met by the company (21.3% of pensionable salaries at the balance sheet date). An actuary reviews the assets and liabilities of the scheme on a triennial basis for funding purposes, the last valuation being as at 1st April 2006. Interim valuations will continue to be performed at the end of each accounting year for the purposes of FRS 17 disclosures.

The actuarial assessment considers the assets and liabilities at the date of calculation and forecasts assets and liabilities in the future according to a set of assumptions, the most important of which are the rate of return on the assets and the rate of increase in remuneration and pensions. The assumptions used at 1st April 2006 were as follows -

Inflation	3.1% per annum
Salary increases	4.6% per annum (1.5% real rate of return in excess of assumed rate of future price inflation of 3.1%)
Pension increases	2.9% per annum on the GMP element of a member's pension accrued after 6th April 1988 (0% pre)
	2.9% for Limited Price Indexation in respect of pensions accrued after 6th April 1997 (0% pre)
Discount rate	5.2% per annum

At the date of the last full valuation in 2006, the actuarial valuation of the assets was £22,475,000 and of the liabilities £29,825,000, representing a shortfall of £7,350,000 and a funding level of 75%. This underfunding is being reduced by adjusting the employer's contribution to 21.3% of pensionable salaries for the year to 31st December 2007 and thereafter. There is an agreement to increase the employees' contribution to 6% of pensionable salaries from 1st January 2008 and to 7% from 1st January 2010.

The position will be reviewed at the next actuarial valuation, which should have an effective date not more than three years from the date of the latest valuation.

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 4. Directors and employees (continued)

## Pension costs - Disclosures required by FRS17 – “Retirement benefits”

The actuarial valuation of the scheme was updated as at 31st December 2007 by a qualified independent actuary, based on an extrapolation of the previous year end position

The major assumptions used by the actuary were -

	2007	2006	2005
Discount rate	5.8%	5.2%	4.8%
Rate of increase in salaries	4.9%	4.6%	4.4%
Rate of increase in pensions	3.3%	2.9%	2.6%
Inflation assumption	3.4%	3.1%	2.9%

	2004	2003
Discount rate	5.3%	5.5%
Rate of increase in salaries	4.5%	4.4%
Rate of increase in pensions	2.6%	2.6%
Inflation assumption	3.0%	2.9%

The expected rates of return on and market value of assets at 31st December 2007 were -

	2007 Return	2007 £'000	2006 Return	2006 £'000	2005 Return	2005 £'000
Equities	8.1%	18,379	7.4%	16,915	7.4%	14,253
Bonds	4.5%	4,901	4.8%	4,217	4.5%	3,696
Property	8.1%	1,225	7.4%	1,140	7.4%	879
Cash	5.8%	186	4.8%	203	4.5%	254
		<u>24,691</u>		<u>22,475</u>		<u>19,082</u>

	2004 Return	2004 £'000	2003 Return	2003 £'000
Equities	7.7%	12,225	7.8%	10,258
Bonds	4.6%	1,509	4.9%	1,397
Property	-	-	-	-
Cash	4.8%	861	3.8%	627
		<u>14,595</u>		<u>12,282</u>

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 4. Directors and employees (continued)

## Pension costs - Disclosures required by FRS17 – “Retirement benefits”

The following amounts (pre tax) at 31st December 2007 were measured in accordance with FRS17 requirements -

	2007 £'000	2006 £'000	2005 £'000
Total market value of assets	24,691	22,475	19,082
Present value of scheme liabilities	(29,500)	(29,825)	(27,386)
Shortfall in scheme – liability	<u>(4,809)</u>	<u>(7,350)</u>	<u>(8,304)</u>
Experience adjustments on assets	(377)	952	2,153
Experience adjustments on liabilities	-	(591)	-
Funding level	84%	75%	70%
		2004 £'000	2003 £'000
Total market value of assets		14,595	12,282
Present value of scheme liabilities		(21,689)	(17,978)
Shortfall in scheme – liability		<u>(7,094)</u>	<u>(5,696)</u>
Experience adjustments on assets		270	930
Experience adjustments on liabilities		(616)	(356)
Funding level		67%	68%

The amounts that have been charged and credited to operating profit under FRS 17 are as follows for Group and Company -

	2007 £'000	2006 £'000
Current service cost	(1,205)	(1,302)
Total operating charge	<u>(1,205)</u>	<u>(1,302)</u>
Expected return on assets	1,586	1,335
Interest on liabilities	(1,568)	(1,338)
Other finance (expense)/income	<u>18</u>	<u>(3)</u>
Net charge to operating profit	<u>(1,187)</u>	<u>(1,305)</u>

## NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31st December 2007

## 4. Directors and employees (continued)

## Pension costs - Additional disclosures required by FRS17 – “Retirement benefits”

The amounts that have been recognised in the consolidated statement of total recognised gains and losses under FRS 17 and the reconciliation of the scheme (shortfall)/surplus in the year are as follows -

	2007 £'000	2006 £'000
Experience (loss)/gain arising on scheme assets	(377)	952
Experience gain/(loss) arising on scheme liabilities	-	(591)
Effects of changes in assumptions underlying the present value of scheme liabilities	2548	484
Total actuarial gain/(loss) recognised in STRGL	2,171	845
	2007 £'000	2006 £'000
Opening defined benefit obligation	29,825	27,386
Current service cost	1,205	1,302
Members' contributions	399	412
Interest cost	1,568	1,338
Actuarial (gain)/loss	(2,548)	107
Benefits received/(paid)	(949)	(720)
Closing defined benefit obligation	29,500	29,825
	2007 £'000	2006 £'000
Opening fair value of plan assets	22,475	19,082
Expected return	1,586	1,335
Employer contributions	1,557	1,414
Members' contributions	399	412
Actuarial gain/(loss)	(377)	952
Benefits received/(paid)	(949)	(720)
Closing fair value of plan assets	24,691	22,475
Closing shortfall in the scheme	(4,809)	(7,350)
Deferred tax at 30%	1,443	2,205
Closing shortfall in pension scheme after tax	(3,366)	(5,145)

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 4. Directors and employees (continued)

## Pension costs

Other pension schemes

The parent undertaking operates a defined contribution self-administered scheme for its directors from which the sole director is accruing benefits. No contributions were made by the parent company to this scheme during this year and the previous year.

The overseas subsidiary undertakings make contributions into employees' personal pension schemes.

Total pension costs

The pension cost charge represents contributions payable by the group to the funds and amounted to £1,668,000 (2006 - £1,652,000), including contributions payable by overseas subsidiary undertakings.

All contributions deducted from employees and payable by the employer have been paid to the UK schemes.

## 5. Interest payable

	2007 £'000	2006 £'000
On bank loans and overdrafts	271	149
Other interest	-	78
	<u>271</u>	<u>227</u>

## 6. Taxation

	2007 £'000	2006 £'000
<b>Current tax</b>		
Corporation tax of the group on profit on ordinary activities at 30% (2006 - 30%)	1,581	716
Underprovision in prior years	-	20
Overseas taxation	120	117
Total current tax charge	<u>1701</u>	<u>853</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(1,014)	168
Pension provisions	111	33
Tax on profit on ordinary activities	<u>798</u>	<u>1,054</u>

The corporation tax is after group loss relief, reducing the charge by nil (2006 - £310,000), the parent undertaking has paid for this relief in full.

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 6. Taxation (continued)

## Factors affecting tax charge for year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%)

The differences are explained below

	2007 £'000	2006 £'000
Group profit on ordinary activities before taxation	5,226	2193
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	1,568	658
Expenses not deductible for tax purposes	124	41
Capital allowances for period in excess of depreciation	(66)	(93)
Adjustments to tax charge in respect of previous periods	-	21
Overseas taxation	120	117
Tax adjustment for overseas subsidiaries	90	(22)
Tax adjustment for pension cost under FRS17	(111)	33
Other adjustments	(24)	98
Current tax charge for period	1,701	853

## 7. Intangible fixed assets

GROUP	Goodwill £'000	Patents £'000	Total £'000
<b>Cost</b>			
1st January 2007	515	-	515
Exchange adjustments	49	-	49
Additions	-	52	52
Disposals	-	-	-
31st December 2007	564	52	616
<b>Provision for diminution in value</b>			
1st January 2007	280	-	280
Exchange adjustments	27	-	27
Charge for period	93	2	95
Disposals	-	-	-
31st December 2007	400	2	402
<b>Net book value</b>			
31st December 2007	164	50	214
1st January 2007	235	-	235

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 7. Intangible fixed assets (continued)

COMPANY	Goodwill £'000	Patents £'000	Total £'000
<b>Cost</b>			
1st January 2007	-	-	-
Additions	-	52	52
Disposals	-	-	-
31st December 2007	-	52	52
<b>Provision for diminution in value</b>			
1st January 2007	-	-	-
Charge for period	-	2	2
Disposals	-	-	-
31st December 2007	-	2	2
<b>Net book value</b>			
31st December 2007	-	50	50
1st January 2007	-	-	-

## 8. Tangible fixed assets

GROUP	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Tooling £'000	Total £'000
<b>Cost</b>						
1st January 2007	21,015	7,147	413	3,147	3,530	35,252
Exchange adjustments	345	39	26	60	3	473
Additions	989	557	106	378	374	2,404
Disposals	-	(66)	125	378	-	437
31st December 2007	22,349	7,809	420	3,207	3,907	37,692
<b>Depreciation</b>						
1st January 2007	2,212	4,336	249	2,106	1,609	10,512
Exchange adjustments	39	15	16	24	2	96
Charge for year	406	665	78	250	660	2,059
Disposals	-	(104)	67	336	-	299
31st December 2007	2,657	5,120	276	2,044	2,271	12,368
<b>Net book amount</b>						
31st December 2007	19,692	2,689	144	1,163	1,636	25,324
1st January 2007	18,803	2,811	164	1,041	1,921	24,740

## NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31st December 2007

## 8. Tangible fixed assets (continued)

COMPANY	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Tooling £'000	Total £'000
<b>Cost</b>						
1st January 2007	17,390	6,740	56	2,434	3,508	30,128
Additions	986	491	2	154	363	1,996
Disposals	-	(129)	7	254	-	132
31st December 2007	18,376	7,360	51	2,334	3,871	31,992
<b>Depreciation</b>						
1st January 2007	1,806	4,180	41	1,801	1,587	9,415
Charge for year	300	589	6	155	649	1,699
Disposals	-	(118)	6	229	-	117
31st December 2007	2,106	4,887	41	1,727	2,236	10,997
<b>Net book amount</b>						
31st December 2007	16,270	2,473	10	607	1,635	20,995
1st January 2007	15,584	2,560	15	633	1,921	20,713

The net book amount of fixed assets does not include any items in respect of assets held under finance leases and hire purchase contracts

## Land and buildings

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Freehold	19,692	18,803	16,270	15,584
	19,692	18,803	16,270	15,584



## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 9. Investment in subsidiary undertakings

COMPANY	2007	2006
	£'000	£'000
Cost	7,546	5,459

It must be emphasised that the value of the investments in the subsidiary undertakings is disproportionate to their current asset value by £3,004,000 but, as will be seen from the Business Review in the Director's Report, there is a clear expectation that these investments will in the short term provide a meaningful return on the capital employed which is the corporate view of how these investments should be valued

All subsidiary undertakings are involved in the distribution of group and associated products

All subsidiary undertakings are included in the consolidated accounts

<u>Subsidiary</u>	<u>% share holding in ordinary share capital</u>	<u>Country of incorporation</u>
Numatic International SA	100	France
Numatic International (Proprietary) Ltd	100	South Africa
Numatic International GmbH	100	Germany
Numatic International B V	100	Holland

## 10. Stocks

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Raw materials	5,395	6,049	5,395	6,049
Small tools	30	30	30	30
Work in progress	557	673	557	673
Finished goods	6,352	5,639	1,892	2,061
	<u>12,334</u>	<u>12,391</u>	<u>7,874</u>	<u>8,813</u>

## 11. Debtors

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	12,929	10,950	8,982	7,837
Amounts owed by group undertakings	-	-	7,170	7,587
Other debtors	810	337	28	34
Prepayments and accrued income	500	484	439	420
	<u>14,239</u>	<u>11,771</u>	<u>16,619</u>	<u>15,878</u>

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

**12. Creditors:** amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loan and overdrafts (see Note 19)	2,629	4,692	1,769	3,967
Trade creditors	5,914	5,752	5,571	5,396
Amounts due to connected companies	-	154	-	154
Corporation tax	1,042	172	1,031	162
Other taxation and social security	1,165	927	755	541
Other creditors	208	111	-	-
Accruals and deferred income	1,459	1,417	1,388	1,318
	<u>12,417</u>	<u>13,225</u>	<u>10,514</u>	<u>11,538</u>

**13. Creditors:** amounts falling due after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loan	2,717	2,561	1,322	1,217
	<u>2,717</u>	<u>2,561</u>	<u>1,322</u>	<u>1,217</u>

**14. Maturity of loans**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	69	665	-	608
Between one and two years	-	665	-	608
Between two and five years	2,717	1,896	1,322	609
Total bank and other loans	<u>2,786</u>	<u>3,226</u>	<u>1,322</u>	<u>1,825</u>

All loans are wholly repayable inside five years of the balance sheet date

The bank loan is repayable based on minimum annual drawdowns, interest is charged at varying euro rates, at the year end the rate being 5.53%

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 15. Provision for liabilities and charges

## GROUP AND COMPANY

	Deferred taxation £'000	Pension scheme provision £'000	TOTAL £'000
At 1st January 2007	1,245	5,145	6,390
Movement in year	(1,014)	(2,541)	(3,555)
Deferred tax asset at 30%	-	762	762
At 31st December 2007	<u>231</u>	<u>3,366</u>	<u>3,597</u>

Pension scheme shortfall under FRS17 4,809  
Deferred tax asset at 30% (1,443)

At 31st December 2007 3,366

The provision of £231,000 relates to deferred taxation in respect of capital allowances. The 2006 provision of £1,245,000 related to deferred taxation in respect of industrial buildings allowances and capital allowances. Balancing charges in respect of industrial buildings allowances claimed were abolished with effect from 21 March 2007 and accordingly the provision is now written back in full. The potential liability is based on a tax rate of 30% (2006 – 30%), the liability has not been discounted.

No allowance has been made for group tax losses.

	Deferred taxation	
	Group 2007 £'000	Company 2007 £'000
At 1st January 2007	1,245	1,245
Deferred tax charge in profit and loss account	(1,014)	(1,014)
31st December 2007	<u>231</u>	<u>231</u>

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 16. Called up share capital

	2007		2006	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
<b>Allotted called up and fully paid</b>				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
		5,000,000		5,000,000

## 17. Profit and loss account

	Group 2007 £'000	Company 2007 £'000
As at 1st January 2007	23,620	27,335
Retained profit for the year	4,428	4,465
Exchange differences on foreign translation	383	-
Movement in unrealised actuarial losses under FRS17	2,171	2,171
Deferred tax asset based on 30% tax rate	(651)	(651)
31st December 2007	29,951	33,320

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

## 18. Notes to the cash flow statement

Reconciliation of operating profit  
to operating cash flows

	2007 £'000	2006 £'000
Operating profit from continuing activities	5,497	3,632
Interest received	(46)	(36)
Operating loss from discontinued activities	-	(888)
Depreciation charges	2,059	1,894
Amortisation of intangible fixed assets	95	121
(Profit)/loss on sale of fixed assets	(11)	31
Exchange differences arising on consolidation	383	(255)
Exchange rate adjustments on fixed assets	(399)	51
Shortfall in pension scheme reversal	(370)	(109)
Decrease/(increase) in stocks	57	(378)
(Increase)/decrease in debtors	(2,468)	833
Increase/(decrease) in creditors	385	(2,040)
Decrease in net assets from disposal of discontinued operation	-	624
<b>Net cash inflow from operating activities</b>	<b>5,182</b>	<b>3,480</b>

## Analysis of changes in net debt

Cash

	At start of year £'000	Cash flows £'000	At end of year £'000
Cash in hand and at bank	1,659	(88)	1,571
Overdrafts	(4,027)	1,467	(2,560)
<b>Total</b>	<b>(2,368)</b>	<b>1,379</b>	<b>(989)</b>

Debt

	At start of year £'000	Cash flows £'000	At end of year £'000
Bank loan	(3,226)	440	(2,786)
<b>Total</b>	<b>(3,226)</b>	<b>440</b>	<b>(2,786)</b>

## Disposal of subsidiary

During the prior year 100% of the share capital in Chalon UK Limited was sold for the consideration of £300,000. At the date of disposal the company had net assets of £624,000, including an overdraft of £1,000,000.

## NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31st December 2007

**19. Security**

Bank borrowings covering the bank treasury loan and the overdraft facility are secured by specific legal charges over freehold land and property

There is a letter of comfort in place from the parent undertaking, in respect of any bank borrowings of Chalon UK Limited, a company also owned and controlled by Mr C R Duncan, the sole director

There is also security given by the parent undertaking in respect of the bank borrowings of Numatic International SA

**20. Guarantees and other financial commitments**

Financial commitments under non-cancellable operating leases will result in payments falling due in the following year as follows

	<b>2007 Land and Buildings £'000</b>	<b>2007 Plant &amp; Other £'000</b>	<b>2006 Land and Buildings £'000</b>	<b>2006 Plant &amp; Other £'000</b>
<b>Group</b>				
Expiring				
Within one year	163	209	33	153
Within two to five years	353	574	9	603
After five years	-	-	-	-
	<u>516</u>	<u>783</u>	<u>42</u>	<u>756</u>
<b>Company</b>				
Expiring				
Within one year	-	53	-	59
Within two to five years	-	293	-	477
After five years	-	-	-	-
	<u>-</u>	<u>346</u>	<u>-</u>	<u>536</u>

As at the year end the group had committed to capital expenditure amounting to £Nil (company £Nil) (2006 - £Nil (company £Nil))

Numatic International Limited is head lessee in respect of showrooms rented by Chalon UK Limited under operating leases, a company also owned and controlled by Mr C R Duncan, the sole director

**NUMATIC INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31st December 2007**

**21. Profit of the parent company**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year after tax amounted to £4,465,000 (2006 £4,456,000 loss)

**22. Related party transactions**

The company is owned and controlled by Mr C R Duncan, the sole director