

Registered number: 773331

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2003

STEWART & CO.

CHARTERED ACCOUNTANTS

Camberley



NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December 2003

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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 2003

INCORPORATED In England on 9th September 1963

NUMBER 773331

CHAIRMAN Mr C R Duncan

SECRETARY Mr A W House

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 2003

The sole director presents his report and the audited financial statements of the group and company for the year ended 31st December 2003.

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 is 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 6. The group's balance sheet as detailed on page 8 shows a satisfactory position, shareholders' funds amounting to £28,078,000. No dividends have been paid or proposed in the year.

Business review

The year of 2003 was one of major change based on putting down the foundation for serious product development that will benefit us and all of the subsidiaries in the years to come.

Our German activities have started well even though the economy in Europe is somewhat depressed and, in addition, we have agreed to establish Numatic International BV in May of 2004 taking over the activities of our Benelux distributors and thereby continuing to strengthen our European presence.

With wholly owned sales subsidiaries now established in France, Germany, Holland, Belgium and South Africa we should have the possibility to consolidate our overseas activities. The long term growth potential for Numatic must be in the overseas markets rather than within the United Kingdom alone, but establishing and growing the subsidiaries is a major, long term investment. Other sales subsidiaries will be considered in the future, the object of which will be to strengthen our international sales platform. We expect all subsidiaries to be in profit during 2004/2005 whilst at the same time providing a major contribution to the profit performance of the parent which is the ultimate objective of this form of sales expansion.

The UK equity market is still not showing signs of providing the necessary growth to benefit the company pension scheme but our 12 year increased funding strategy is calculated to eliminate any shortfall as measured on the FRS 17 basis by early 2015 or earlier.

2004 will be another year of change after which much of our consolidation will be complete, forming the platform for 2005/2006.

As a final comment it must be clearly stated that the business sector that we serve is becoming more and more high volume low margin and a downward price pressure worldwide is a very real factor that we expect to be with us for some time. It should be noted that Numatic are dedicated to producing their product in the United Kingdom and are the last remaining British volume vacuum cleaner manufacturer with all of our competitors having relocated principally to the Far East. The Numatic strategy is not to relocate its manufacture overseas but to progressively consolidate its overseas sales activities to allow a viable UK manufacturing business to survive based on its export strength.

NUMATIC INTERNATIONAL LIMITED

DIRECTOR'S REPORT

(continued)

31st December 2003

Euro

The group has reviewed the impact of the Euro on its operations. Whilst the UK remains outside of the EMU, the parent undertaking will remain exposed to potential foreign exchange fluctuations which occur between the Euro and Sterling. The UK parent undertaking has decided that it will, for the time being, continue to report its results in Sterling.

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 2003 Ordinary Shares of £1 each	31st December 2002 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 liases 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.

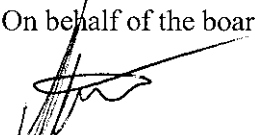
Research and Development

The group carries out on going research and development to enhance and improve existing products, to develop new ones and to improve production techniques. This is a key part of the group's strategy.

Auditors

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

On behalf of the board


Mr A W House
Secretary

Knoll House
Knoll Road
Camberley
Surrey
GU15 3SY

30th September 2004

NUMATIC INTERNATIONAL LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

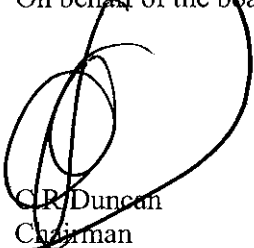
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

30th September 2004

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 6 to 26 for the year ended 31st December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 of the state of affairs of the group and the company at 31st December 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stewart & Co

Stewart & Co.
Chartered Accountants
Registered Auditor

Dated: 30/9/2004

Knoll House
Knoll Road
Camberley
Surrey GU15 3SY

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2003

		2003	2002
	Note	£'000	£'000
Turnover	2	64834	61814
Cost of sales		(44497)	(42046)
Gross profit		20337	19768
Interest received		28	20
Net operating expenses			
Distribution costs		(1766)	(1544)
Administrative expenses		(14774)	(13223)
Operating profit	3	3825	5021
Interest payable	5	(145)	(256)
Profit on ordinary activities before taxation		3680	4765
Taxation	6	(1253)	(1533)
Profit on ordinary activities after taxation			
retained for the year	17	2427	3232

None of the company's activities were acquired or discontinued during the above two financial years.

Movements on reserves during the year are shown in Note 17 on page 23.

NUMATIC INTERNATIONAL LIMITED

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

for the year ended 31st December 2003

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £'000	2002 £'000
Profit for the financial year	2427	3232
Foreign currency translation differences	238	331
Total recognised gains relating to the year	2665	3563
Prior year adjustment (re deferred tax)	-	(705)
Total profits recognised since last report	2665	2858

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	2427	3232
Exchange difference on foreign translation	238	331
	2665	3563
Net increase in shareholders' funds	2665	3563
Opening shareholders' funds	25413	21850
Closing shareholders' funds (equity interests)	28078	25413

NUMATIC INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

at 31st December 2003

		2003		2002	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7		108		107
Tangible assets	8		18103		18167
			18211		18274
Current assets					
Stock and work in progress	10	8934		8331	
Debtors	11	10424		10305	
Cash at bank and in hand		3166		1496	
		22524		20132	
Creditors: amounts falling due within one year	12	10725		11126	
Net current assets			11799		9006
Total assets less current liabilities			30010		27280
Creditors: amounts falling due after more than one year	13		(1100)		(1102)
Provisions for liabilities and charges	15		(832)		(765)
Net Assets			28078		25413
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		23078		20413
Total shareholders' funds			28078		25413

The financial statements on pages 6 to 26 were approved by the director, and signed on **30th September 2004**.



C R. Durcan
Chairman

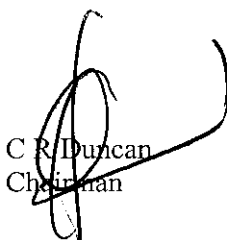
NUMATIC INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

at 31st December 2003

		2003		2002	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		15048		15305
Investment in subsidiaries	9		7804		7804
			22852		23109
Current assets					
Stock and work in progress	10	6533		6225	
Debtors	11	13122		11771	
Cash at bank and in hand		2151		775	
		21806		18771	
Creditors: amounts falling due within one year	12	7418		8051	
Net current assets			14388		10720
Total assets less current liabilities			37240		33829
Creditors: amounts falling due after more than one year	13		(1100)		(1100)
Provisions for liabilities and charges	15		(832)		(765)
			35308		31964
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		30308		26964
Total shareholders' funds			35308		31964

The financial statements on pages 6 to 26 were approved by the director, and signed on **30th September 2004**.


 C R Duncan
 Chairman

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	18	4612	6233
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(1)	(2)
Other interest paid		(144)	(254)
Taxation			
Corporation tax paid		(1843)	(951)
Overseas taxation		(30)	2
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(2)	(109)
Purchase of tangible fixed assets		(1182)	(1414)
Sale of tangible fixed assets		65	28
Net cash outflow from investing activity		(1119)	(1495)
Financing	18		
Repayment of bank loan		-	(500)
Repayment of pension scheme loan		-	(2000)
Capital element of finance lease rental payments		(7)	(8)
Net cash outflow from financing		(7)	(2508)
Increase in cash	18	1468	1025

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003**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. The group has complied with the transitional provisions of FRS17 "Retirement benefits", with relevant disclosures being included in these financial statements.

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 (German subsidiary only) is amortised over its useful economic life of 15 years.

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% reducing balance basis
Motor vehicles	20%- 33% per annum straight line
Software	straight line basis over 5 years

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability

Rentals paid under operating leases are charged to income as incurred.

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.

NUMATIC INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31st December 2003**1. Accounting policies (continued)****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.

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 group operates a number of 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 2003**3. Operating profit**

	2003	2002
	£'000	£'000
Operating profit is stated after charging:-		
Staff costs (Note 4)	18391	16009
Auditors' remuneration UK auditors	39	39
Auditors' remuneration overseas auditors	22	20
Research and development expenditure	267	208
Exchange (profit) or loss	(140)	(147)
Operating leases and licences to occupy		
Plant and machinery	228	251
Motor vehicles	508	406
Land and buildings	250	257
Depreciation of tangible fixed assets (Note 8)		
owned assets	1223	1293
leased assets	3	5
	1226	1298
Loss/(profit) on disposal of tangible fixed assets	33	(6)
Amortisation of intangible fixed assets (Note 7)	9	2

The audit fee for the company was £30,000 (2002 - £30,000).

4. Directors and employees

	2003	2002
	£'000	£'000
Staff costs including directors' emoluments		
Wages and salaries	15918	14088
Social security costs	1570	1275
Pension costs	903	646
	18391	16009
Directors		
Emoluments and highest paid director	908	899
Average monthly number employed	Number	Number
including executive director(s):		
Production	600	558
Administration, selling and management	150	146
	750	704

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003

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. The pension cost charge for the year in respect of contributions paid into this scheme was £846,000 (2002 - £624,000).

Employees contribute 5% of salary with the balance of required contributions being met by the company (10.3% of pensionable salaries at the balance sheet). 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 2003. The next actuarial valuation is due at 1st April 2006, although interim valuations will 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 2003 were:

Inflation	2.6% per annum
Rate of return on investments before retirement	8% per annum (5.4% real rate of return in excess of assumed rate of future price inflation of 2.6%)
Rate of return on investments after retirement	5% per annum (2.4% real rate of return in excess of assumed rate of future price inflation of 2.6%)
Salary increases	4.6% per annum (2% real rate of return in excess of assumed rate of future price inflation of 2.6%)
Pension increases	2.2% per annum on the GMP element of a member's pension accrued after 6th April 1988 (0% pre).
	2.4% for Limited Price Indexation in respect of pensions accrued after 6th April 1997 (0% pre).
Discount rate	5.5% per annum

At the date of the last full valuation in 2003, the actuarial valuation of the assets was £9,841,000 and of the liabilities £13,351,000, representing a shortfall of £3,510,000 and a funding level of 74%. This underfunding is being reduced by adjusting the employer's contribution to 13.3% of pensionable salaries for the year to 31st December 2004 and 16.3% thereafter until 2015. 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. No provision has been made in these financial statements for the under-funding due to the deferral of full implementation of FRS17 "Retirement Benefits". The transitional arrangements of this standard have been extended to at least 2005.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003

4. Directors and employees (continued)

Pension costs - Additional disclosures required by FRS17 -- "Retirement benefits"

In accordance with the transitional arrangements of FRS17, additional disclosure is therefore provided below to reflect the current position of the scheme.

The actuarial valuation of the scheme was updated as at 31st December 2003 by a qualified independent actuary, based on an extrapolation of the previous year end position. The major assumptions used by the actuary were:-

	2003	2002	2001
Discount rate	5.5%	5.5%	6.0%
Rate of increase in salaries	4.4%	3.9%	4.0%
Rate of increase in pensions	2.6%	2.3%	2.5%
Inflation assumption	2.9%	2.4%	2.5%

The expected rates of return on and market value of assets at 31st December 2003 were:-

	2003	2003	2002	2002	2001	2001
		£'000		£'000		£'000
Equities	7.8%	10258	8.2%	7711	7.5%	9102
Bonds	4.9%	1397	4.7%	1446	6.0%	1232
Cash	3.8%	627	4.0%	482	4.0%	840
		12282		9639		11174

The following amounts at 31st December 2003 were measured in accordance with FRS17 requirements:-

	2003	2002	2001
	£'000	£'000	£'000
Total market value of assets	12282	9639	11174
Present value of scheme liabilities	(17978)	(14395)	(12432)
Shortfall in scheme – pension liability	(5696)	(4756)	(1258)
Funding level	68%	67%	90%

If the above amounts had been recognised in the financial statements, the Group's total shareholders' funds at 31st December 2003 would have been as follows:-

	2003	2002	2001
	£'000	£'000	£'000
Total shareholders' funds	28078	25413	21850
Shortfall in pension scheme	(5696)	(4756)	(1258)
Deferred tax asset at 30%	1709	1427	377
Total shareholders' funds allowing for pension scheme shortfall	24091	22084	20969

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003

4. Directors and employees (continued)

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

The related deferred tax asset is calculated at a notional rate of 30% of the FRS 17 deficit. This assumes that any future pension contributions, required to fund the deficit, would be allowable at this rate for tax purposes.

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

	2003 £'000	2002 £'000
Current service cost	(725)	(613)
Total operating charge	(725)	(613)
Expected return on assets	759	813
Interest on liabilities	(815)	(762)
Other finance (expense)/income	(56)	51
Net charge to operating profit	(781)	(562)

The amount that would be taken to the consolidated statement of total recognised gains and losses under FRS 17 and the reconciliation of the scheme (shortfall)/surplus in the year is as follows: -

	2003 £'000	2002 £'000
Difference between actual and expected return on assets	930	(2894)
Experience gains and losses arising on scheme liabilities	(356)	319
Effects of changes in assumptions underlying the present value of scheme liabilities	(1579)	(985)
Total actuarial gain/(loss) recognised in STRGL	(1005)	(3560)
	2003 £'000	2002 £'000
Opening shortfall in the scheme	(4756)	(1258)
Current service cost	(725)	(613)
Contributions	846	624
Other finance (expense)/income	(56)	51
Actuarial losses	(1005)	(3560)
Closing shortfall in the scheme	(5696)	(4756)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003

4. Directors and employees (continued)

Pension costsOther 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 £903,000 (2002 - £646,000), 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

	2003 £'000	2002 £'000
On bank loans and overdrafts	137	140
On other loans	-	105
Hire purchase interest	1	2
Other interest	7	6
Interest on late tax	-	3
	145	256

6. Taxation

	2003 £'000	2002 £'000
Current tax		
Corporation tax of the group on profit on ordinary activities at 30% (2002 - 30%)	1151	1475
Underprovision in prior years	1	-
Overseas taxation	34	(2)
Total current tax charge	1186	1473
Deferred tax		
Timing differences, origination and reversal	67	60
Tax on profit on ordinary activities	1253	1533

The corporation tax is after group loss relief, reducing the charge by £295,000 (2002 - £264,000); the parent undertaking has paid for this relief in full.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2003

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:

	2003 £'000	2002 £'000
Group profit on ordinary activities before taxation	3680	4765
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	1104	1430
Expenses not deductible for tax purposes	30	30
Capital allowances for period in excess of depreciation	(67)	(77)
Adjustments to tax charge in respect of previous periods	1	-
Overseas taxation	34	(2)
Tax adjustment for losses in overseas subsidiaries	58	76
Other adjustments	26	16
Current tax charge for period	1186	1473

7. Intangible fixed assets

GROUP ONLY

	Goodwill £'000	Other £'000	Total £'000
Cost			
1st January 2003	108	1	109
Exchange adjustments	8	-	8
Additions	-	2	2
31st December 2003	116	3	119
Provision for diminution in value			
1st January 2003	2	-	2
Exchange adjustments	-	-	-
Charge for period	8	1	9
31st December 2003	10	1	11
Net book value			
31st December 2003	106	2	108
1st January 2003	106	1	107

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003

8. Tangible fixed assets

GROUP	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Small Tools £'000	Total £'000
Cost						
1st January 2003	15642	5699	453	3041	30	24865
Exchange adjustments	70	5	20	15	-	110
Additions	62	638	93	389	-	1182
Disposals	(4)	(251)	(85)	(375)	-	(715)
31st December 2003	15770	6091	481	3070	30	25442
Depreciation						
1st January 2003	978	3403	284	2033	-	6698
Exchange adjustments	10	1	10	11	-	32
Charge for year	332	557	73	264	-	1226
Disposals	(2)	(213)	(63)	(339)	-	(617)
31st December 2003	1318	3748	304	1969	-	7339
Net book amount						
31st December 2003	14452	2343	177	1101	30	18103
1st January 2003	14664	2296	169	1008	30	18167

COMPANY	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Small Tools £'000	Total £'000
Cost						
1st January 2003	13431	5041	268	2255	30	21025
Additions	11	576		151		738
Disposals		(247)	(12)	(318)		(577)
31st December 2003	13442	5370	256	2088	30	21186
Depreciation						
1st January 2003	710	3133	180	1697	-	5720
Charge for year	239	466	9	203	-	917
Disposals		(208)	(5)	(286)	-	(499)
31st December 2003	949	3391	184	1614	-	6138
Net book amount						
31st December 2003	12493	1979	72	474	30	15048
1st January 2003	12721	1908	88	558	30	15305

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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8. Tangible fixed assets - continued

The net book amount of motor vehicles and plant and machinery includes £Nil (2002 - £1,000) and £10,000 (2002 - £13,000) respectively in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year for the two classes, the total of which is shown in Note 3 was £Nil (2002 - £2,000) and £3,000 (2002 - £3,000) respectively.

Land and buildings

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Freehold	14279	14478	12493	12721
Short leasehold	173	186	-	-
	14452	14664	12493	12721

9. Investment in subsidiary undertakings

COMPANY	2003	2002
	£'000	£'000
Cost	7804	7804

The investment in subsidiary undertakings remains unchanged in the year; the previous year saw the capital investment in a German subsidiary undertaking Numatic International GmbH.

It must be emphasised that the value of the investments in the subsidiary undertakings is disproportionate to their current asset value by £7,230,000 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 manufacturing and distribution.

<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
Chalon UK Ltd	100	England

10. Stocks

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Raw materials	3879	3608	3674	3406
Work in progress	787	922	708	823
Finished goods	4268	3801	2151	1996
	8934	8331	6533	6225

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2003

11. Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	8852	8166	5757	5803
Amounts owed by group undertakings	-	-	6129	4271
Other debtors	213	304	23	26
Prepayments and accrued income	1359	1835	1213	1671
	10424	10305	13122	11771

12. Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loan and overdrafts (see Note 19)	1668	1466	200	224
Net obligations under finance leases and hire purchase contracts (see Note 19)	2	7	-	-
Trade creditors	6232	6330	5081	4994
Corporation tax	472	1148	456	1148
Other taxation and social security	783	748	399	407
Accruals and deferred income	1568	1427	1282	1278
	10725	11126	7418	8051

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

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loan	1100	1100	1100	1100
Net obligations under finance leases and hire purchase contracts	-	2	-	-
	1100	1102	1100	1100

NUMATIC INTERNATIONAL LIMITED

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31st December 2003

14. Maturity of loans

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
In one year or less	200	200	200	200
Between one and two years	200	200	200	200
Between two and five years	900	900	900	900
Total bank and other loans	1300	1300	1300	1300

All loans and obligations under finance agreements 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 1.25% above LIBOR, plus an adjustment for bank associated costs.

Obligations under finance leases
and hire purchase contracts

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
In the next year (see Note 19 re security)	2	7	-	-
In the second to fifth years	-	2	-	-
Total obligations under finance agreements	2	9	-	-

15. Provision for liabilities and charges

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
At 1st January 2003	765	705	765	705
Movement in year	67	60	67	60
At 31st December 2003	832	765	832	765

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2003**15. Provision for liabilities and charges - continued**

The provision of £832,000 (2002 - £765,000) relates almost entirely to deferred taxation in respect of industrial buildings allowances. The potential liability is based on a tax rate of 30% (2002 - 30%); the liability has not been discounted. No allowance has been made for group tax losses.

	Deferred taxation	
	Group 2003 £'000	Company 2003 £'000
At 1st January 2003	765	765
Deferred tax charge in profit and loss account	67	67
31st December 2003	832	832

16. Called up share capital

	2003		2002	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	5000000	5000000	5000000	5000000
Allotted called up and fully paid				
Ordinary shares of £1 each	5000000	5000000	5000000	5000000
		5000000		5000000

17. Profit and loss account

	Group 2003 £'000	Company 2003 £'000
At 1st January 2003	20413	26964
Retained profit for the year	2427	3344
Exchange differences on foreign translation	238	-
31st December 2003	23078	30308

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2003

18. Notes to the cash flow statement

**Reconciliation of operating profit
to operating cash flows**

	2003	2002
	£'000	£'000
Operating profit	3825	5021
Depreciation charges	1226	1298
Amortisation of intangible fixed assets	9	2
Loss/(profit) on sale of fixed assets	33	(6)
Exchange differences arising on consolidation	238	331
Exchange rate adjustments on fixed assets	(86)	(54)
(Increase) in stocks	(603)	(190)
(Increase) in debtors	(119)	(1611)
Increase in creditors	89	1442
Net cash inflow from operating activities	4612	6233

Analysis of changes in net debt**Cash**

	At start of year	Cash flows	At end of year
	£'000	£'000	£'000
Cash in hand, at bank	1496	1670	3166
Overdrafts	(1266)	(202)	(1468)
Total	230	1468	1698

Debt

	At start of year	Cash flows	At end of year
	£'000	£'000	£'000
Bank loan	(1300)	-	(1300)
Obligations under finance leases	(9)	7	(2)
Total	(1309)	7	(1302)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2003

18. Notes to the cash flow statement - continued

Non cash transactions

In the previous year, the parent undertaking set up an operation in Germany. The investment of £633,000 was to purchase new issued share capital only, Numatic International GmbH being a newly incorporated company. Post acquisition, a proportion of the cash was used to purchase the trading assets, including goodwill, of an established German business. On the grounds of materiality, no analysis was made in the consolidated cash flow statement in respect of that acquisition. This note has been included for comparative purposes only.

19. Security

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

Net obligations under finance leases and hire purchase contracts are secured against the specific fixed assets to which each agreement relates.

There is a letter of comfort in place from the parent undertaking, in respect of any bank borrowings of Chalon UK Limited.

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.

	2003	2003	2002	2002
	Land and	Plant &	Land and	Plant &
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Group				
Expiring				
Within one year	67	76	55	71
Within two to five years	83	560	40	427
After five years	129	-	122	-
	279	636	217	498
Company				
Expiring				
Within one year	-	74	-	68
Within two to five years	-	426	-	363
After five years	-	-	-	-
	-	500	-	431

As at the year end the group had committed to capital expenditure amounting to £Nil (company £Nil) (2002 - £Nil (company £Nil)). Numatic International Limited is head lessee in respect of showrooms rented by Chalon UK Limited under operating leases.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2003

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 £3,344,000 (2002 - £4,119,000).

22. Related party transactions

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

Mr C R Duncan and his wife are the trustees and sole beneficiaries of a pension scheme known as the Numatic Executive Scheme. The company rents factory premises from the scheme at commercially negotiated rentals, which amounted to £117,000 (2002 - £102,000) in the year.

A loan made by the pension scheme to the company of £2m in February 2000 was repaid in full in the previous year.