

Registered number: 773331

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005



STEWART & CO.
CHARTERED ACCOUNTANTS
Camberley

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December 2005

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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 2005

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 2005

The sole director presents his report and the audited financial statements of the group and company for the year ended 31st December 2005.

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 £27,145,000. Full implementation of FRS17 has taken place in the year, the company pension scheme deficit now being reflected on the company balance sheet. No dividends have been paid or proposed in the year.

Business review

From an overall standpoint the UK economy and market conditions appear to be quite buoyant and we would expect to see this remain so during the first half of 2006. In comparison the European situation has been rather stagnant awaiting its own upturn which may still be a year away.

South Africa has shown improvements with a stronger Rand but this may not be sustainable for the economy and, if the currency returns to a weaker position, the improved situation will rapidly disappear.

The Chalon business has needed further reorganization and, hopefully, improvements will be seen in 2006/2007 to justify our investment.

Commodity prices are exhibiting substantial increases fuelled by a combination of the oil situation and the insatiable demand for raw materials from the fast growing Chinese economy. All manufacturing driven countries have a need for the same primary raw materials and as these rise so must costs and, in turn, selling prices worldwide.

The Euro and the Dollar have been kind to us in their stability with the Dollar being our most important, non-Stirling buying currency and the Euro for sales.

The FRS17 regulations have initiated balance sheet adjustments to reflect their value but, having said that, our improved funding programme is now well under way and as the deficit reduces during the next few years so the balance sheet will reflect this.

As a UK based manufacturer we must continue the policy of becoming state of the art in our manufacturing expertises so as to keep the labour element of our product to a minimum thereby allowing us to compete with other companies based in low labour cost regions.

We are now the last volume vacuum cleaning producer in the UK with no desire to relocate to the Far East.

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.

NUMATIC INTERNATIONAL LIMITED

DIRECTOR'S REPORT
(continued)

31st December 2005

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 2005 Ordinary Shares of £1 each	31st December 2004 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.

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

4 October 2006

NUMATIC INTERNATIONAL LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

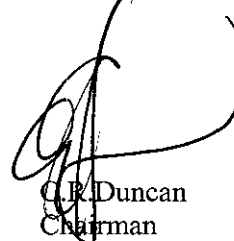
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to

- 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.

4 October 2006

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 27 for the year ended 31st December 2005. 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 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.

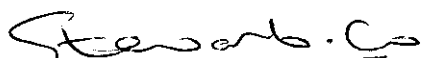
Basis of Audit Opinion

We conducted our audit in accordance with 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 of the state of affairs of the group and the company at 31st December 2005 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.
Chartered Accountants
Registered Auditor

Dated: 4 October 2006

Knoll House
Knoll Road
Camberley
Surrey GU15 3SY

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2005

		2005	2004
	Note	£'000	£'000
Turnover	2	77686	71267
Cost of sales		(53110)	(47307)
Gross profit		<u>24576</u>	<u>23960</u>
Interest received		33	55
Net operating expenses			
Distribution costs		(2082)	(1828)
Administrative expenses		(18861)	(17606)
Operating profit	3	<u>3666</u>	<u>4581</u>
Interest payable	5	(421)	(140)
Profit on ordinary activities before taxation		<u>3245</u>	<u>4441</u>
Taxation	6	(1170)	(1414)
Profit on ordinary activities after taxation	17	<u>2075</u>	<u>3027</u>
and retained for the year		<u><u>2075</u></u>	<u><u>3027</u></u>

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 24.

NUMATIC INTERNATIONAL LIMITED

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

for the year ended 31st December 2005

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 £'000	2004 £'000 As restated
Profit for the financial year	2075	3027
Foreign currency translation differences	(151)	174
Total recognised gains relating to the year	1924	3201
Recognition of pension provision - prior year adjustment	(3987)	-
Total actuarial loss recognised in STRGL	(1467)	(1491)
Deferred tax on actuarial loss at 30%	440	447
Total (losses)/profits recognised since last report	(3090)	2157

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000 As restated
Profit for the financial year	2075	3027
Exchange difference on foreign translation	(151)	174
Total actuarial loss under FRS17	(1467)	(1491)
Deferred tax on actuarial loss at 30%	440	447
	897	2157
Net increase in shareholders' funds	897	2157
Opening shareholders' funds (see below)	26248	24091
Closing shareholders' funds (equity interests)	27145	26248
Opening shareholders' funds - as previously stated		28078
Prior period adjustment	(5696)	
Deferred tax on prior period adjustment	1709	(3987)
Opening shareholders' funds as restated		24091

NUMATIC INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

at 31st December 2005

		2005		2004	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7		377		471
Tangible assets	8		23130		20828
			<u>23507</u>		<u>21299</u>
Current assets					
Stock and work in progress	10	11982		12155	
Debtors	11	13497		13016	
Cash at bank and in hand		2473		2220	
		<u>27952</u>		<u>27391</u>	
Creditors: amounts falling due within one year	12	15588		15965	
Net current assets			<u>12364</u>		<u>11426</u>
Total assets less current liabilities			<u>35871</u>		<u>32725</u>
Creditors: amounts falling due after more than one year	13		(1836)		(589)
Provisions for liabilities and charges	15		(6890)		(5888)
Net Assets			<u><u>27145</u></u>		<u><u>26248</u></u>
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		22145		21248
Total shareholders' funds			<u><u>27145</u></u>		<u><u>26248</u></u>

The financial statements on pages 6 to 27 were approved by the director, and signed on 4 October 2006.

C E Duncan
Chairman

NUMATIC INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

at 31st December 2005

		2005		2004	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		17392		16916
Investment in subsidiaries	9		8459		8459
			<u>25851</u>		<u>25375</u>
Current assets					
Stock and work in progress	10	8371		8759	
Debtors	11	19566		17471	
Cash at bank and in hand		1442		1021	
		<u>29379</u>		<u>27251</u>	
Creditors: amounts falling due within one year	12	10304		12281	
			<u>19075</u>		<u>14970</u>
Net current assets					
Total assets less current liabilities			<u>44926</u>		<u>40345</u>
Creditors: amounts falling due after more than one year	13		(1836)		(589)
Provisions for liabilities and charges	15		(6890)		(5888)
			<u>36200</u>		<u>33868</u>
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		31200		28868
Total shareholders' funds			<u>36200</u>		<u>33868</u>

The financial statements on pages 6 to 27 were approved by the director, and signed on 4 October 2006.



C R Duncan
Chairman

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	18	4011	2151
Returns on investments and servicing of finance			
Other interest paid		(421)	(140)
Taxation			
Corporation tax paid		(833)	(1256)
Overseas taxation		(63)	(76)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(17)	(428)
Purchase of tangible fixed assets		(3957)	(4042)
Sale of tangible fixed assets		227	70
		<hr/>	<hr/>
Net cash outflow from investing activity		(3747)	(4400)
Financing	18		
Net inflow/(repayment) of bank loan		1227	(79)
Capital element of finance lease rental payments		-	(2)
		<hr/>	<hr/>
Net cash inflow/(outflow) from financing		1227	(81)
Increase/(decrease) in cash	18	<hr/> <hr/>	<hr/> <hr/>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005**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 fully complied with the 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 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

Leases

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 2005****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 2005

3. Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:-		
Staff costs (Note 4)	23403	21150
Auditors' remuneration UK auditors	45	45
Auditors' remuneration overseas auditors	69	54
Research and development expenditure	373	388
Exchange (profit) or loss	123	(194)
Operating leases and licences to occupy		
Plant and machinery	253	295
Motor vehicles	530	601
Land and buildings	323	313
	<hr/>	<hr/>
Depreciation of tangible fixed assets (Note 8) owned assets	1437	1252
	<hr/>	<hr/>
Loss/(profit) on disposal of tangible fixed assets	(89)	6
	<hr/>	<hr/>
Amortisation of intangible fixed assets (Note 7)	91	66
	<hr/>	<hr/>

The audit fee for the company was £30,000 (2004 - £30,000).

4. Directors and employees

	2005 £'000	2004 £'000
Staff costs including directors' emoluments		
Wages and salaries	20085	18252
Social security costs	1995	1762
Pension costs	1323	1136
	<hr/>	<hr/>
	23403	21150
	<hr/>	<hr/>
Directors		
Emoluments and highest paid director	1054	1070
	<hr/>	<hr/>
Average monthly number employed including executive director(s):	Number	Number
Production	701	649
Administration, selling and management	168	160
	<hr/>	<hr/>
	869	809
	<hr/>	<hr/>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

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 (10.3% 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 2003. The next actuarial valuation is due at 1st April 2006, although 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 2003 were as follows:-

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.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

4. Directors and employees (continued)

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

Full implementation of FRS17 “Retirement Benefits” has taken place in this year ended 31 December 2005.

The actuarial valuation of the scheme was updated as at 31st December 2005 by a qualified independent actuary, based on an extrapolation of the previous year end position.

The major assumptions used by the actuary were:-

	2005	2004	2003
Discount rate	4.8%	5.3%	5.5%
Rate of increase in salaries	4.4%	4.5%	4.4%
Rate of increase in pensions	2.6%	2.6%	2.6%
Inflation assumption	2.9%	3.0%	2.9%
		2002	2001
Discount rate		5.5%	6.0%
Rate of increase in salaries		3.9%	4.0%
Rate of increase in pensions		2.3%	2.5%
Inflation assumption		2.4%	2.5%

The expected rates of return on and market value of assets at 31st December 2005 were:-

	2005 Return	2005 £'000	2004 Return	2004 £'000	2003 Return	2003 £'000
Equities	7.4%	14253	7.7%	12225	7.8%	10258
Bonds	4.5%	3696	4.6%	1509	4.9%	1397
Property	7.4%	879				
Cash	4.5%	254	4.8%	861	3.8%	627
		<u>19082</u>		<u>14595</u>		<u>12282</u>
			2002 Return	2002 £'000	2001 Return	2001 £'000
Equities			8.2%	7711	7.5%	9102
Bonds			4.7%	1446	6.0%	1232
Cash			4.0%	482	4.0%	840
				<u>9639</u>		<u>11174</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

4. Directors and employees (continued)

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

The following amounts (pre tax) at 31st December 2005 were measured in accordance with FRS17 requirements:-

	2005 £'000	2004 £'000	2003 £'000
Total market value of assets	19082	14595	12282
Present value of scheme liabilities	(27386)	(21689)	(17978)
Shortfall in scheme – liability	<u>(8304)</u>	<u>(7094)</u>	<u>(5696)</u>
Funding level	70%	67%	68%
		2002 £'000	2001 £'000
Total market value of assets		9639	11174
Present value of scheme liabilities		(14395)	(12432)
Shortfall in scheme – liability		<u>(4756)</u>	<u>(1258)</u>
Funding level		67%	90%

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

	2005 £'000	2004 £'000
Current service cost	<u>(976)</u>	<u>(916)</u>
Total operating charge	<u>(976)</u>	<u>(916)</u>
Expected return on assets	1095	937
Interest on liabilities	<u>(1173)</u>	<u>(1015)</u>
Other finance (expense)/income	<u>(78)</u>	<u>(78)</u>
Net charge to operating profit	<u>(1054)</u>	<u>(994)</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

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: -

	2005 £'000	2004 £'000
Difference between actual and expected return on assets	2153	270
Experience gains and losses arising on scheme liabilities	-	(616)
Effects of changes in assumptions underlying the present value of scheme liabilities	(3620)	(1145)
Total actuarial (loss) recognised in STRGL	(1467)	(1491)
	2005 £'000	2004 £'000
Opening shortfall in the scheme	(7094)	(5696)
Current service cost	(976)	(916)
Contributions	1311	1087
Other finance (expense)/income	(78)	(78)
Actuarial losses	(1467)	(1491)
Closing shortfall in the scheme	(8304)	(7094)
Closing shortfall in the scheme	(8304)	(7094)
Deferred tax at 30%	2491	2128
Closing shortfall in pension scheme after tax	(5813)	(4966)

There has been a change in accounting policy this year, with the company having applied Financial Reporting Standard No. 17 "Retirement Benefits" (FRS17) as issued by the Accounting Standards Board in respect of defined benefit pension schemes.

Previously, any surplus or deficit within this scheme was not been provided for in the financial statements. In accordance with FRS 17, the deficit as reported by an independent firm of actuaries has now been provided for under "Provisions" on the balance sheet, with the corresponding entry against reserves. The effect of this change in accounting policy is that a prior year adjustment has been recognised (see note 17) of £4,966,000, after allowing for deferred taxation at 30%. This has resulted in a decrease in reserves as at 31 December 2004.

The pension scheme movement in the year ended 31 December 2005 is £1,210,000, resulting in a total deficit as at 31 December 2005 of £8,304,000. These are stated before allowing for deferred taxation thereon.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

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 £1,323,000 (2004 - £1,136,000), 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

	2005 £'000	2004 £'000
On bank loans and overdrafts	388	136
Other interest	33	4
	<hr/> 421	<hr/> 140
	<hr/> <hr/>	<hr/> <hr/>

6. Taxation

	2005 £'000	2004 £'000
Current tax		
Corporation tax of the group on profit on ordinary activities at 30% (2004 - 30%)	847	1220
Underprovision in prior years	28	-
Overseas taxation	63	76
	<hr/> 938	<hr/> 1296
Deferred tax		
Timing differences, origination and reversal	155	90
Pension provisions	77	28
	<hr/> 1170	<hr/> 1414
	<hr/> <hr/>	<hr/> <hr/>

The corporation tax is after group loss relief, reducing the charge by £471,000 (2004 - £299,000); the parent undertaking has paid for this relief in full.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

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:

	2005 £'000	2004 £'000
Group profit on ordinary activities before taxation	<u>3245</u>	<u>4441</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	974	1332
Expenses not deductible for tax purposes	30	30
Capital allowances for period in excess of depreciation	(169)	(114)
Adjustments to tax charge in respect of previous periods	28	-
Overseas taxation	63	76
Tax adjustment for overseas subsidiaries	62	(40)
Tax adjustment for pension cost under FRS17	(77)	(28)
Other adjustments	<u>27</u>	<u>40</u>
Current tax charge for period	<u><u>938</u></u>	<u><u>1296</u></u>

7. Intangible fixed assets

GROUP ONLY

	Goodwill £'000	Other £'000	Total £'000
Cost			
1st January 2005	542	6	548
Exchange adjustments	(23)	-	(23)
Additions	-	17	17
Disposals	-	(1)	(1)
31st December 2005	<u><u>519</u></u>	<u><u>22</u></u>	<u><u>541</u></u>
Provision for diminution in value			
1st January 2005	75	2	77
Exchange adjustments	(3)	-	(3)
Charge for period	89	2	91
Disposals	-	(1)	(1)
31st December 2005	<u><u>161</u></u>	<u><u>3</u></u>	<u><u>164</u></u>
Net book value			
31st December 2005	<u><u>358</u></u>	<u><u>19</u></u>	<u><u>377</u></u>
1st January 2005	<u><u>467</u></u>	<u><u>4</u></u>	<u><u>471</u></u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

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 2005	18682	6567	539	3411	41	29240
Exchange adjustments	(72)	(8)	(13)	(13)	-	(106)
Additions	2322	921	186	523	5	3957
Disposals	-	(200)	(300)	(381)	-	(881)
31st December 2005	20932	7280	412	3540	46	32210
Depreciation						
1st January 2005	1657	4202	323	2219	11	8412
Exchange adjustments	(10)	(2)	(6)	(8)	-	(26)
Charge for year	417	590	129	296	5	1437
Disposals	-	(177)	(202)	(364)	-	(743)
31st December 2005	2064	4613	244	2143	16	9080
Net book amount						
31st December 2005	18868	2667	168	1397	30	23130
1st January 2005	17025	2365	216	1192	30	20828
COMPANY						
	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Small Tools £'000	Total £'000
Cost						
1st January 2005	15561	5762	262	2270	30	23885
Additions	363	857	7	288	-	1515
Disposals	-	(148)	(213)	(309)	-	(670)
31st December 2005	15924	6471	56	2249	30	24730
Depreciation						
1st January 2005	1230	3764	190	1785	-	6969
Charge for year	288	496	7	182	-	973
Disposals	-	(132)	(163)	(309)	-	(604)
31st December 2005	1518	4128	34	1658	-	7338
Net book amount						
31st December 2005	14406	2343	22	591	30	17392
1st January 2005	14331	1998	72	485	30	16916

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

8. Tangible fixed assets - continued

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	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Freehold	18700	16841	14406	14331
Short leasehold	168	184	-	-
	<u>18868</u>	<u>17025</u>	<u>14406</u>	<u>14331</u>

9. Investment in subsidiary undertakings

COMPANY	2005 £'000	2004 £'000
Cost	<u>8459</u>	<u>8459</u>

It must be emphasised that the value of the investments in the subsidiary undertakings is disproportionate to their current asset value by £9,055,000 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
Numatic International B.V.	100	Holland
Chalon UK Ltd	100	England

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

10. Stocks

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Raw materials	5640	5861	5394	5618
Work in progress	777	761	663	703
Finished goods	5565	5533	2314	2438
	<u>11982</u>	<u>12155</u>	<u>8371</u>	<u>8759</u>

11. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	11593	9838	7951	6234
Amounts owed by group undertakings	-	-	10434	9013
Other debtors	399	631	44	224
Prepayments and accrued income	1505	2547	1137	2000
	<u>13497</u>	<u>13016</u>	<u>19566</u>	<u>17471</u>

12. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loan and overdrafts (see Note 19)	5015	4956	3571	3577
Trade creditors	6403	7830	4490	6403
Corporation tax	478	436	440	500
Other taxation and social security	1225	812	668	363
Other creditors	1098	177	-	-
Accruals and deferred income	1369	1754	1135	1438
	<u>15588</u>	<u>15965</u>	<u>10304</u>	<u>12281</u>

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

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loan	1836	589	1836	589
	<u>1836</u>	<u>589</u>	<u>1836</u>	<u>589</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

14. Maturity of loans

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
In one year or less	612	632	612	632
Between one and two years	612	589	612	589
Between two and five years	1224	-	1224	-
Total bank and other loans	2448	1221	2448	1221

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 3.504%.

15. Provision for liabilities and charges

GROUP AND COMPANY

	Deferred taxation	Pension scheme provision	TOTAL
	£'000	£'000	£'000
At 1st January 2005	922	4966	5888
Movement in year	155	1210	1365
Deferred tax asset at 30%		(363)	(363)
At 31st December 2005	1077	5813	6890
Pension scheme shortfall under FRS17		8304	
Deferred tax asset at 30%		(2491)	
At 31st December 2005		5813	

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005**15. Provision for liabilities and charges - continued**

The provision of £1,077,000 (2004 - £922,000) relates to deferred taxation in respect of industrial buildings allowances and capital allowances. The potential liability is based on a tax rate of 30% (2004 - 30%); the liability has not been discounted.

No allowance has been made for group tax losses.

	Deferred taxation	
	Group 2005 £'000	Company 2005 £'000
At 1st January 2005	922	922
Deferred tax charge in profit and loss account	155	155
31st December 2005	<u>1077</u>	<u>1077</u>

16. Called up share capital

	2005		2004	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	<u>5000000</u>	<u>5000000</u>	<u>5000000</u>	<u>5000000</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>5000000</u>	<u>5000000</u>	<u>5000000</u>	<u>5000000</u>
		<u>5000000</u>		<u>5000000</u>

17. Profit and loss account

	Group 2005 £'000	Company 2005 £'000
At 1st January 2005 – as previously reported	26214	33834
Prior period adjustment	(4966)	(4966)
Balance at 1st January 2005 – as restated	<u>21248</u>	<u>28868</u>
Retained profit for the year	2075	3359
Exchange differences on foreign translation	(151)	-
Movement in unrealised actuarial losses under FRS17	(1467)	(1467)
Deferred tax asset based on 30% tax rate	440	440
31st December 2005	<u>22145</u>	<u>31200</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

17. Profit and loss account - continued

Prior year adjustment

As detailed in note 4 to these financial statements, there has been a change in accounting policy this year, with the company having applied Financial Reporting Standard No. 17 "Retirement Benefits" (FRS17).

The effect of this change in accounting policy is that a prior year adjustment has been recognised of £4,966,000, being the pension scheme shortfall of £7,094,000 less deferred tax at 30%, in respect of the company's defined benefit scheme. The opening reserves at 1 January 2005 have been adjusted by the prior period adjustment, the balance sheet at 31 December 2004 has been restated.

18. Notes to the cash flow statement

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

	2005 £'000	2004 £'000 As restated
Operating profit	3666	4581
Depreciation charges	1437	1252
Amortisation of intangible fixed assets	91	66
Loss/(profit) on sale of fixed assets	(89)	6
Exchange differences arising on consolidation	(151)	174
Exchange rate adjustments on fixed assets	100	(12)
Shortfall in pension scheme reversal	(257)	(93)
Decrease/(increase) in stocks	173	(3221)
(Increase) in debtors	(481)	(2592)
(Decrease)/increase in creditors	(478)	1990
Net cash inflow from operating activities	4011	2151

Analysis of changes in net debtCash

	At start of year £'000	Cash flows £'000	At end of year £'000
Cash in hand, at bank	2220	253	2473
Overdrafts	(4324)	(79)	(4403)
Total	(2104)	174	(1930)

Debt

	At start of year £'000	Cash flows £'000	At end of year £'000
Bank loan	(1221)	(1227)	(2448)
Total	(1221)	(1227)	(2448)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005**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.

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.

	2005	2005	2004	2004
	Land and	Plant &	Land and	Plant &
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Group				
Expiring				
Within one year	69	92	215	104
Within two to five years	-	564	-	485
After five years	174	-	180	-
	<u>243</u>	<u>656</u>	<u>395</u>	<u>589</u>
Company				
Expiring				
Within one year	-	27	-	89
Within two to five years	-	426	-	365
After five years	-	-	-	-
	<u>-</u>	<u>453</u>	<u>-</u>	<u>454</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2005

20. Guarantees and other financial commitments - continued

As at the year end the group had committed to capital expenditure amounting to £Nil (company £Nil) (2004 - £1,925,000 (company £Nil)).

Numatic International Limited is head lessee in respect of showrooms rented by Chalon UK Limited under operating leases.

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 £3,359,000 (2004 - £3,591,000 restated).

22. Related party transactions

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

Mr C R Duncan is the sole trustee and a beneficiary 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 £155,000 (2004 - £139,000) in the year.