

Registered number: 773331

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006

STEWART & CO.
CHARTERED ACCOUNTANTS
Camberley

SATURDAY



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NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December 2006

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The following pages do not form part of the statutory accounts

Company only - Detailed Trading and Profit and Loss Account	Appendix 1
Consolidated - Detailed Trading and Profit and Loss Account	Appendix 2

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December 2006

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NUMATIC INTERNATIONAL LIMITED

COMPANY INFORMATION

31st December 2006

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 2006

The sole director presents his report and the audited financial statements of the group and company for the year ended 31st December 2006

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 6. The group's balance sheet as detailed on page 8 shows a satisfactory position, shareholders' funds amounting to £28,620,000. No dividends have been paid or proposed in the year.

Business review

From a sales standpoint 2006 has been an active year but, at the same time, we have experienced lower priced products emanating from the Far East and a dramatic surge in commodity prices as a direct result of the insatiable demand for materials in the Far East. The end result is pressure on margins and it does appear that, as a UK based manufacturer, margins will remain under pressure for some years to come.

After years of reporting losses at Chalon we have decided that, as this is not a core business, we will hive it off and write off our total investment as an exceptional single item amounting to some £7,000,000. By writing off this external investment in quite a separate business we do, of course, turn a healthy Numatic generated profit into a Group operating loss for this one year.

FRS 17 is still with us but, from the current projections, we expect to see pension deficits eliminated by 2012/2013 and this will automatically and progressively return value to the balance sheet.

We will continue to consolidate and improve our facilities at Chard in order to be able to give maximum support to our UK and overseas subsidiaries and customers.

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 2006

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 2006 Ordinary Shares of £1 each	31st December 2005 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

15 August 2007

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

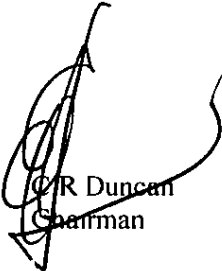
The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for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

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.

15 August 2007

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 2006. 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 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 2006 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 15 August 2007

Knoll House
Knoll Road
Camberley
Surrey GU15 3SY

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2006

		2006		2005	
		Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	Note	£'000	£'000	£'000	£'000
Turnover	2	79059	5577	73226	4460
Cost of sales		(54467)	(3525)	(50122)	(2988)
Gross profit		24592	2052	23104	1472
Interest received		36	-	33	-
Net operating expenses					
Distribution costs		(1982)	(178)	(1917)	(165)
Administrative expenses		(19014)	(2762)	(16360)	(2501)
Operating profit	3	3632	(888)	4860	(1194)
Interest payable	5	(140)	(87)	(87)	(334)
Loss on disposal of subsidiary		-	(324)	-	-
Profit/(loss) on ordinary activities before taxation		3492	(1299)	4773	(1528)
Taxation	6	(1364)	310	(1641)	471
Profit/(loss) on ordinary activities after taxation and retained for the year	17	2128	(989)	3132	(1057)

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

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 2006

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 £'000	2004 £'000
Profit for the financial year on continuing operations	2128	3132
Loss for the financial year on discontinued operations	(989)	(1057)
Foreign currency translation differences	(255)	(151)
Total recognised gains relating to the year	884	1924
Recognition of pension provision - prior year adjustment	-	(3987)
Total actuarial loss recognised in STRGL	845	(1467)
Deferred tax on actuarial loss at 30%	(254)	440
Total (losses)/profits recognised since last report	1475	(3090)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Profit for the financial year on continuing operations	2128	3132
Loss for the financial year on discontinued operations	(989)	(1057)
Exchange difference on foreign translation	(255)	(151)
Total actuarial gain/(loss) under FRS17	845	(1467)
Deferred tax on actuarial (gain)/loss at 30%	(254)	440
	1475	897
Net increase in shareholders' funds	1475	897
Opening shareholders' funds	27145	26248
Closing shareholders' funds (equity interests)	28620	27145

NUMATIC INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

at 31st December 2006

		2006		2005	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7		235		358
Tangible assets	8		24741		24012
			<u>24975</u>		<u>24370</u>
Current assets					
Stock and work in progress	10	12391		12012	
Debtors	11	11771		12604	
Cash at bank and in hand		1659		2473	
		<u>25821</u>		<u>27089</u>	
Creditors: amounts falling due within one year	12	13225		15588	
		<u></u>		<u></u>	
Net current assets			12596		11501
Total assets less current liabilities			<u>37571</u>		<u>35871</u>
Creditors: amounts falling due after more than one year	13		(2561)		(1836)
Provisions for liabilities and charges	15		(6390)		(6890)
			<u></u>		<u></u>
Net Assets			<u><u>28620</u></u>		<u><u>27145</u></u>
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		23620		22145
			<u></u>		<u></u>
Total shareholders' funds			<u><u>28620</u></u>		<u><u>27145</u></u>

The financial statements on pages 6 to 27 were authorised for issue, approved by the director and signed on 15 August 2007

C R Duncan
Chairman

NUMATIC INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

at 31st December 2006

		2006		2005	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		20713		18255
Investment in subsidiaries	9		5459		8459
			<u>26172</u>		<u>26714</u>
Current assets					
Stock and work in progress	10	8813		8401	
Debtors	11	15878		18673	
Cash at bank and in hand		617		1442	
		<u>25308</u>		<u>28516</u>	
Creditors: amounts falling due within one year	12	11538		10304	
		<u>11538</u>		<u>10304</u>	
Net current assets			13770		18212
Total assets less current liabilities			<u>39942</u>		<u>44926</u>
Creditors: amounts falling due after more than one year	13		(1217)		(1836)
Provisions for liabilities and charges	15		(6390)		(6890)
			<u>32335</u>		<u>36200</u>
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		27335		31200
Total shareholders' funds			<u>32335</u>		<u>36200</u>

The financial statements on pages 6 to 27 were authorised for issue, approved by the director and signed on 15 August 2007



C R Duncan
Chairman

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	18	3516	4011
Returns on investments and servicing of finance			
Other interest paid		(227)	(421)
Taxation			
Corporation tax paid		(1042)	(833)
Overseas taxation		(117)	(63)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(17)
Purchase of tangible fixed assets		(4713)	(3957)
Sale of tangible fixed assets		67	227
		<u> </u>	<u> </u>
Net cash outflow from investing activity		(4646)	(3747)
Financing	18		
Net inflow/(repayment) of bank loan		778	1227
		<u> </u>	<u> </u>
Net cash inflow/(outflow) from financing		778	1227
Acquisitions and disposals			
Sale of discontinued operation		300	-
Overdraft in discontinued operation		1000	-
		<u> </u>	<u> </u>
		1300	-
(Decrease)/ Increase in cash	18	<u> </u> <u> </u>	<u> </u> <u> </u>

NUMATIC INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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

Tooling has previously been reported within debtors with the unexpired life of items carried forward as a prepayment. A review has concluded it is more appropriate for tooling to be reported as a fixed asset. The balance sheet comparative figures have been restated accordingly, with reanalysis between fixed assets (increase of £863,000), debtors (decrease of £893,000) and stock (increase of £30,000). This restatement has no impact on the previously reported profits for 2005. In conjunction with this review the lifespan of tooling has been re-estimated and the revised basis as stated above is applied for 2006.

Leases

Rentals paid under operating leases are charged to income as incurred

NUMATIC INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
31st December 2006****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 2006

3. Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging -		
Staff costs (Note 4)	25601	23403
Auditors' remuneration UK auditors	66	45
Auditors' remuneration for non-audit services	30	-
Auditors' remuneration overseas auditors	48	69
Research and development expenditure	567	373
Exchange (profit) or loss	(4)	123
Operating leases and licences to occupy		
Plant and machinery	256	253
Motor vehicles	514	530
Land and buildings	244	323
	<u>1894</u>	<u>1437</u>
Depreciation of tangible fixed assets (Note 8) owned assets	<u>1894</u>	<u>1437</u>
Loss/(profit) on disposal of tangible fixed assets	<u>31</u>	<u>(89)</u>
Amortisation of intangible fixed assets (Note 7)	<u>121</u>	<u>91</u>

The audit fee for the company was £50,000 (2005 - £40,000)

4. Directors and employees

	2006 £'000	2005 £'000
Staff costs including directors' emoluments		
Wages and salaries	21803	20085
Social security costs	2146	1995
Pension costs	1652	1323
	<u>25601</u>	<u>23403</u>
Directors		
Emoluments and highest paid director	<u>1031</u>	<u>1054</u>
Average monthly number employed including executive director(s)	Number	Number
Production	719	701
Administration, selling and management	190	168
	<u>909</u>	<u>869</u>

NUMATIC INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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 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 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 2006

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 2006 by a qualified independent actuary, based on an extrapolation of the previous year end position

The major assumptions used by the actuary were -

	2006	2005	2004
Discount rate	5.2%	4.8%	5.3%
Rate of increase in salaries	4.6%	4.4%	4.5%
Rate of increase in pensions	2.9%	2.6%	2.6%
Inflation assumption	3.1%	2.9%	3.0%

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

The expected rates of return on and market value of assets at 31st December 2006 were -

	2006 Return	2006 £'000	2005 Return	2005 £'000	2004 Return	2004 £'000
Equities	7.4%	16915	7.4%	14253	7.7%	12225
Bonds	4.8%	4217	4.5%	3696	4.6%	1509
Property	7.4%	1140	7.4%	879	-	-
Cash	4.8%	203	4.5%	254	4.8%	861
		<u>22475</u>		<u>19082</u>		<u>14595</u>

	2003 Return	2003 £'000	2002 Return	2002 £'000
Equities	7.8%	10258	8.2%	7711
Bonds	4.9%	1397	4.7%	1446
Property	-	-	-	-
Cash	3.8%	627	4.0%	482
		<u>12282</u>		<u>9639</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

4. Directors and employees (continued)

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

The following amounts (pre tax) at 31st December 2006 were measured in accordance with FRS17 requirements -

	2006 £,000	2005 £'000	2004 £'000
Total market value of assets	22475	19082	14595
Present value of scheme liabilities	(29825)	(27386)	(21689)
Shortfall in scheme – liability	<u>(7350)</u>	<u>(8304)</u>	<u>(7094)</u>
Funding level	75%	70%	67%
		2003 £'000	2002 £'000
Total market value of assets		12282	9639
Present value of scheme liabilities		(17978)	(14395)
Shortfall in scheme – liability		<u>(5696)</u>	<u>(4756)</u>
Funding level		68%	67%

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

	2006 £'000	2005 £'000
Current service cost	<u>(1302)</u>	<u>(976)</u>
Total operating charge	<u>(1302)</u>	<u>(976)</u>
Expected return on assets	1335	1095
Interest on liabilities	<u>(1338)</u>	<u>(1173)</u>
Other finance (expense)/income	<u>(3)</u>	<u>(78)</u>
Net charge to operating profit	<u>(1305)</u>	<u>(1054)</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2006

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 -

	2006 £'000	2005 £'000
Difference between actual and expected return on assets	952	2153
Experience gains and losses arising on scheme liabilities	(591)	-
Effects of changes in assumptions underlying the present value of scheme liabilities	484	(3620)
Total actuarial gain/(loss) recognised in STRGL	845	(1467)
	2006 £'000	2005 £'000
Opening shortfall in the scheme	(8304)	(7094)
Current service cost	(1302)	(976)
Contributions	1414	1311
Other finance (expense)/income	(3)	(78)
Actuarial gains/(losses)	845	(1467)
Closing shortfall in the scheme	(7350)	(8304)
Closing shortfall in the scheme	(7350)	(8304)
Deferred tax at 30%	2205	2491
Closing shortfall in pension scheme after tax	(5145)	(5813)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006**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 £1,652,000 (2005 - £1,323,000), 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

	2006 £'000	2005 £'000
On bank loans and overdrafts	149	388
Other interest	78	33
	<u>227</u>	<u>421</u>

6. Taxation

	2006 £'000	2005 £'000
Current tax		
Corporation tax of the group on profit on ordinary activities at 30% (2005 - 30%)	716	847
Underprovision in prior years	20	28
Overseas taxation	117	63
Total current tax charge	<u>853</u>	<u>938</u>
Deferred tax		
Timing differences, origination and reversal	168	155
Pension provisions	33	77
Tax on profit on ordinary activities	<u>1054</u>	<u>1170</u>

The corporation tax is after group loss relief, reducing the charge by £310,000 (2005 - £471,000), the parent undertaking has paid for this relief in full.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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

	2006 £'000	2005 £'000
Group profit on ordinary activities before taxation	2193	3245
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	658	974
Expenses not deductible for tax purposes	41	30
Capital allowances for period in excess of depreciation	(93)	(169)
Adjustments to tax charge in respect of previous periods	21	28
Overseas taxation	117	63
Tax adjustment for overseas subsidiaries	(22)	62
Tax adjustment for pension cost under FRS17	33	(77)
Other adjustments	98	27
Current tax charge for period	853	938

7. Intangible fixed assets

GROUP ONLY	Goodwill £'000	Total £'000
Cost		
1st January 2006	519	519
Exchange adjustments	(4)	(4)
Additions	-	-
Disposals	-	-
31st December 2006	515	515
Provision for diminution in value		
1st January 2006	161	161
Exchange adjustments	(2)	(2)
Charge for period	121	121
Disposals	-	-
31st December 2006	280	280
Net book value		
31st December 2006	235	235
1st January 2006	358	358

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

8. Tangible fixed assets

GROUP	Land and Buildings £ 000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Tooling £'000	Total £'000
Cost						
1st January 2006	20932	7302	412	3540	2017	34203
Exchange adjustments	(33)	(1)	(42)	(27)	-	(103)
Additions	1523	996	123	562	1509	4713
Disposals	(1407)	(1149)	(80)	(928)	4	(3560)
31st December 2006	21015	7148	413	3147	3530	35253
Depreciation						
1st January 2006	2064	4616	244	2143	1124	10191
Exchange adjustments	(2)	(1)	(31)	(20)	-	(54)
Charge for year	421	630	106	253	484	1894
Disposals	(271)	(909)	(70)	(270)	1	(1519)
31st December 2006	2212	4336	249	2106	1609	10512
Net book amount						
31st December 2006	18803	2812	164	1041	1921	24741
1st January 2006	18868	2686	168	1397	893	24012
COMPANY						
	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Tooling £ 000	Total £'000
Cost						
1st January 2006	15924	6471	56	2249	2001	26701
Additions	1466	835	-	185	1503	3989
Disposals	-	(566)	-	-	4	(562)
31st December 2006	17390	6740	56	2434	3508	30128
Depreciation						
1st January 2006	1518	4128	34	1658	1108	8446
Charge for year	288	538	7	143	478	1454
Disposals	-	(486)	-	-	1	(485)
31st December 2006	1806	4180	41	1801	1587	9415
Net book amount						
31st December 2006	15584	2560	15	633	1921	20713
1st January 2006	14406	2343	22	591	893	18255

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

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	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Freehold	18803	18700	15584	14406
Short leasehold	-	168	-	-
	<u>18803</u>	<u>18868</u>	<u>15584</u>	<u>14406</u>

9. Investment in subsidiary undertakings

COMPANY	2006 £'000	2005 £'000
Cost	<u>5459</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 £1,079,000 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 (disposed 31/12/06)	-	England

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

10. Stocks

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials	6050	5640	6049	5394
Small tools	30	30	30	30
Work in progress	673	777	673	663
Finished goods	5638	5565	2061	2314
	<u>12391</u>	<u>12012</u>	<u>8813</u>	<u>8401</u>

11. Debtors

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	10950	11593	7837	7951
Amounts owed by group undertakings	-	-	7587	10434
Other debtors	337	399	34	44
Prepayments and accrued income	484	612	420	244
	<u>11771</u>	<u>12604</u>	<u>15878</u>	<u>18673</u>

12. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loan and overdrafts (see Note 19)	4692	5015	3967	3571
Trade creditors	5752	6403	5396	4490
Amounts due to connected companies	154	-	154	-
Corporation tax	172	478	162	440
Other taxation and social security	927	1225	541	668
Other creditors	111	1098	-	-
Accruals and deferred income	1417	1369	1318	1135
	<u>13225</u>	<u>15588</u>	<u>11538</u>	<u>10304</u>

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

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loan	2561	1836	1217	1836
	<u>2561</u>	<u>1836</u>	<u>1217</u>	<u>1836</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

14. Maturity of loans

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
In one year or less	665	612	608	612
Between one and two years	665	612	608	612
Between two and five years	1896	1224	609	1224
Total bank and other loans	<u>3226</u>	<u>2448</u>	<u>1825</u>	<u>2448</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 4.64%

15. Provision for liabilities and charges

GROUP AND COMPANY

	Deferred taxation £'000	Pension scheme provision £'000	TOTAL £'000
At 1st January 2006	1077	5813	6890
Movement in year	168	(954)	(786)
Deferred tax asset at 30%	-	286	286
At 31st December 2006	<u>1245</u>	<u>5145</u>	<u>6390</u>
Pension scheme shortfall under FRS17		7350	
Deferred tax asset at 30%		(2205)	
At 31st December 2006		<u>5145</u>	

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006**15. Provision for liabilities and charges - continued**

The provision of £1,245,000 (2005 - £1,077,000) relates to deferred taxation in respect of industrial buildings allowances and capital allowances. The potential liability is based on a tax rate of 30% (2005 - 30%), the liability has not been discounted.

No allowance has been made for group tax losses.

	Deferred taxation	
	Group	Company
	2006	2006
	£'000	£'000
At 1st January 2006	1077	1077
Deferred tax charge in profit and loss account	168	168
31st December 2006	<u>1245</u>	<u>1245</u>

16. Called up share capital

	2006		2005	
	Number of	£	Number of	£
	shares		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	Company
	2006	2006
	£'000	£'000
As at 1st January 2006	22145	31200
Retained profit for the year	1139	(4456)
Exchange differences on foreign translation	(255)	-
Movement in unrealised actuarial losses under FRS17	845	845
Deferred tax asset based on 30% tax rate	(254)	(254)
31st December 2006	<u>23620</u>	<u>27335</u>

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2006

18. Notes to the cash flow statement

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

	2006 £'000	2005 £'000
Operating profit from continuing activities	3632	4860
Operating loss from discontinued activities	(888)	(1194)
Depreciation charges	1894	1437
Amortisation of intangible fixed assets	121	91
Loss/(profit) on sale of fixed assets	31	(89)
Exchange differences arising on consolidation	(255)	(151)
Exchange rate adjustments on fixed assets	51	100
Shortfall in pension scheme reversal	(109)	(257)
(Increase)/decrease in stocks	(378)	173
Decrease/(Increase) in debtors	833	(481)
(Decrease) in creditors	(2040)	(478)
Decrease in net assets from disposal of discontinued operation	624	-
Net cash inflow from operating activities	3516	4011

Analysis of changes in net debt**Cash**

	At start of year £'000	Cash flows £'000	Disposal of subsidiary £'000	At end of year £'000
Cash in hand, at bank	2473	(1114)	300	1659
Overdrafts	(4403)	(624)	1000	(4027)
Total	(1930)	(1738)	1300	(2368)

Debt

	At start of year £'000	Cash flows £'000	Disposal of subsidiary £'000	At end of year £'000
Bank loan	(2448)	(778)	-	(3226)
Total	(2448)	(778)	-	(3226)

Disposal of subsidiary

During the year the 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 2006**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

	2006	2006	2005	2005
	Land and	Plant &	Land and	Plant &
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Group				
Expiring				
Within one year	33	153	69	92
Within two to five years	9	603	-	564
After five years	-	-	174	-
	<u>42</u>	<u>756</u>	<u>243</u>	<u>656</u>
Company				
Expiring				
Within one year	-	59	-	27
Within two to five years	-	477	-	426
After five years	-	-	-	-
	<u>-</u>	<u>536</u>	<u>-</u>	<u>453</u>

NUMATIC INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31st December 2006**

20. Guarantees and other financial commitments - continued

As at the year end the group had committed to capital expenditure amounting to £Nil (company £Nil) (2005 - £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

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 loss for the financial year after tax amounted to £4,456,000 (2005 £3,359,000 profit)

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 Hambridge Executive Scheme (formally known as The Numatic Executive Scheme). During the year the company purchased land and buildings from the scheme at a commercially negotiated price, which amounted to £1,466,000. The company also rented factory premises from the scheme at commercially negotiated rentals, which amounted to £117,000 (2005 - £155,000) in the year.

On 31 December 2006 Mr C R Duncan purchased 100% of the share capital in Chalon UK Limited from the group for £300,000. At the year end Chalon UK Limited was owed £154,000 by the parent company.